UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark one)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2019

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 1-9109

RAYMOND JAMES FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

Florida	59-1517485
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

880 Carillon Parkway, St. Petersburg, Florida 33716

(Address of principal executive offices) (Zip Code)

(727) 567-1000

(Registrant's telephone number, including area code)

None

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $.01 par value	RJF	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

138,843,196 shares of common stock as of August 7, 2019

INDEX

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Unaudited)

$ in millions, except per share amounts	**June 30, 2019**	September 30, 2018
Assets:		
Cash and cash equivalents	**$ 3,596**	$ 3,500
Cash segregated pursuant to regulations	**2,356**	2,441
Securities purchased under agreements to resell	**411**	373
Securities borrowed	**306**	255
Financial instruments, at fair value:		
Trading instruments (includes **$557** and $465 pledged as collateral)	**803**	702
Available-for-sale securities (includes **$16** and $20 pledged as collateral)	**2,960**	2,696
Derivative assets	**304**	180
Private equity investments	**146**	147
Other investments (includes **$24** and $25 pledged as collateral)	**253**	202
Brokerage client receivables, net	**2,613**	3,343
Receivables from brokers, dealers and clearing organizations	**274**	257
Other receivables	**631**	592
Bank loans, net	**20,691**	19,518
Loans to financial advisors, net	**936**	925
Investments in real estate partnerships held by consolidated variable interest entities	**69**	107
Property and equipment, net	**518**	486
Deferred income taxes, net	**210**	203
Goodwill and identifiable intangible assets, net	**635**	639
Other assets	**965**	847
Total assets	**$ 38,677**	$ 37,413
Liabilities and equity:		
Bank deposits	**$ 22,166**	$ 19,942
Securities sold under agreements to repurchase	**165**	186
Securities loaned	**429**	423
Financial instruments sold but not yet purchased, at fair value:		
Trading instruments	**287**	235
Derivative liabilities	**275**	247
Brokerage client payables	**4,343**	5,625
Payables to brokers, dealers and clearing organizations	**174**	206
Accrued compensation, commissions and benefits	**1,093**	1,189
Other payables	**686**	459
Other borrowings	**945**	899
Senior notes payable	**1,550**	1,550
Total liabilities	**32,113**	30,961
Commitments and contingencies (see Note 14)		
Equity		
Preferred stock; $.10 par value; 10,000,000 shares authorized; -0- shares issued and outstanding	**—**	—
Common stock; $.01 par value; 350,000,000 shares authorized; **158,316,880** and 156,363,615 shares issued as of June 30, 2019 and September 30, 2018, respectively, and **139,666,546** and 145,642,437 shares outstanding as of June 30, 2019 and September 30, 2018, respectively	**2**	2
Additional paid-in capital	**1,915**	1,808
Retained earnings	**5,659**	5,032
Treasury stock, at cost; **18,650,334** and 10,693,026 common shares as of June 30, 2019 and September 30, 2018, respectively	**(1,060)**	(447)
Accumulated other comprehensive loss	**(14)**	(27)
Total equity attributable to Raymond James Financial, Inc.	**6,502**	6,368
Noncontrolling interests	**62**	84
Total equity	**6,564**	6,452
Total liabilities and equity	**$ 38,677**	$ 37,413

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited)

	Three months ended June 30,		Nine months ended June 30,	
in millions, except per share amounts	**2019**	2018	**2019**	2018
Revenues:				
Asset management and related administrative fees	**$ 879**	$ 790	**$ 2,527**	$ 2,287
Brokerage revenues:				
Securities commissions	**358**	395	**1,095**	1,236
Principal transactions	**93**	73	**262**	255
Total brokerage revenues	**451**	468	**1,357**	1,491
Account and service fees	**183**	187	**559**	535
Investment banking	**139**	145	**439**	349
Interest income	**321**	271	**961**	752
Other	**27**	30	**95**	100
Total revenues	**2,000**	1,891	**5,938**	5,514
Interest expense	**(73)**	(54)	**(221)**	(139)
Net revenues	**1,927**	1,837	**5,717**	5,375
Non-interest expenses:				
Compensation, commissions and benefits	**1,277**	1,208	**3,767**	3,557
Communications and information processing	**92**	89	**278**	262
Occupancy and equipment costs	**55**	49	**159**	149
Business development	**57**	57	**141**	134
Investment sub-advisory fees	**24**	23	**70**	68
Professional fees	**22**	20	**61**	48
Bank loan loss provision/(benefit)	**(5)**	5	**16**	14
Acquisition and disposition-related expenses	**—**	—	**15**	4
Other	**65**	68	**205**	178
Total non-interest expenses	**1,587**	1,519	**4,712**	4,414
Income including noncontrolling interests and before provision for income taxes	**340**	318	**1,005**	961
Provision for income taxes	**83**	86	**252**	367
Net income including noncontrolling interests	**257**	232	**753**	594
Net loss attributable to noncontrolling interests	**(2)**	—	**(16)**	—
Net income attributable to Raymond James Financial, Inc.	**$ 259**	$ 232	**$ 769**	$ 594
Earnings per common share – basic	**$ 1.84**	$ 1.59	**$ 5.42**	$ 4.08
Earnings per common share – diluted	**$ 1.80**	$ 1.55	**$ 5.30**	$ 3.99
Weighted-average common shares outstanding – basic	**140.4**	145.6	**141.8**	145.2
Weighted-average common and common equivalent shares outstanding – diluted	**143.6**	149.4	**144.8**	148.8
Net income attributable to Raymond James Financial, Inc.	**$ 259**	$ 232	**$ 769**	$ 594
Other comprehensive income/(loss), net of tax:				
Available-for-sale securities	**24**	(4)	**65**	(31)
Currency translations, net of the impact of net investment hedges	**6**	(6)	**1**	(8)
Cash flow hedges	**(19)**	6	**(49)**	27
Total other comprehensive income/(loss), net of tax	**11**	(4)	**17**	(12)
Total comprehensive income	**$ 270**	$ 228	**$ 786**	$ 582

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

	Three months ended June 30,		Nine months ended June 30,	
$ in millions, except per share amounts	**2019**	2018	**2019**	2018
Common stock, par value $.01 per share:				
Balance beginning of period	**$ 2**	$ 2	**$ 2**	$ 2
Share issuances	**—**	—	**—**	—
Balance end of period	**2**	2	**2**	2
Additional paid-in capital:				
Balance beginning of period	**1,917**	1,748	**1,808**	1,645
Employee stock purchases	**7**	8	**27**	24
Exercise of stock options and vesting of restricted stock units, net of forfeitures	**2**	4	**27**	34
Restricted stock, stock option and restricted stock unit expense	**21**	21	**85**	77
Acquisition of noncontrolling interest and other	**(32)**	—	**(32)**	1
Balance end of period	**1,915**	1,781	**1,915**	1,781
Retained earnings:				
Balance beginning of period	**5,448**	4,626	**5,032**	4,340
Net income attributable to Raymond James Financial, Inc.	**259**	232	**769**	594
Cash dividends declared (see Note 20)	**(47)**	(44)	**(146)**	(119)
Other	**(1)**	—	**4**	(1)
Balance end of period	**5,659**	4,814	**5,659**	4,814
Treasury stock:				
Balance beginning of period	**(976)**	(412)	**(447)**	(390)
Purchases/surrenders	**(86)**	(1)	**(598)**	(9)
Exercise of stock options and vesting of restricted stock units, net of forfeitures	**2**	—	**(15)**	(14)
Balance end of period	**(1,060)**	(413)	**(1,060)**	(413)
Accumulated other comprehensive loss:				
Balance beginning of period	**(25)**	(23)	**(27)**	(15)
Other comprehensive income/(loss), net of tax	**11**	(4)	**17**	(12)
Other	**—**	—	**(4)**	—
Balance end of period	**(14)**	(27)	**(14)**	(27)
Total equity attributable to Raymond James Financial, Inc.	**$ 6,502**	$ 6,157	**$ 6,502**	$ 6,157
Noncontrolling interests:				
Balance beginning of period	**$ 69**	$ 101	**$ 84**	$ 112
Net loss attributable to noncontrolling interests	**(2)**	—	**(16)**	—
Capital contributions	**—**	—	**2**	—
Distributions and other	**(5)**	(8)	**(8)**	(19)
Balance end of period	**62**	93	**62**	93
Total equity	**$ 6,564**	$ 6,250	**$ 6,564**	$ 6,250

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine months ended June 30,	
$ in millions	**2019**	2018
Cash flows from operating activities:		
Net income attributable to Raymond James Financial, Inc.	**$ 769**	$ 594
Net loss attributable to noncontrolling interests	**(16)**	—
Net income including noncontrolling interests	**753**	594
Adjustments to reconcile net income including noncontrolling interests to net cash provided by operating activities:		
Depreciation and amortization	**81**	72
Deferred income taxes	**(22)**	99
Premium and discount amortization on available-for-sale securities and loss on other investments	**14**	3
Provisions for loan losses, legal and regulatory proceedings and bad debts	**45**	34
Share-based compensation expense	**88**	75
Unrealized gain on company-owned life insurance policies, net of expenses	**(9)**	(20)
Other	**47**	22
Net change in:		
Securities purchased under agreements to resell, net of securities sold under agreements to repurchase	**(61)**	(48)
Securities borrowed, net of securities loaned	**(44)**	(24)
Loans provided to financial advisors, net of repayments	**(28)**	(78)
Brokerage client receivables and other accounts receivable, net	**679**	(144)
Trading instruments, net	**(52)**	(88)
Derivative instruments, net	**(137)**	77
Other assets	**(83)**	(49)
Brokerage client payables and other accounts payable	**(1,300)**	(184)
Accrued compensation, commissions and benefits	**(99)**	(52)
Proceeds from sales of securitizations and loans held for sale, net of purchases and originations of loans held for sale	**27**	(65)
Net cash provided by/(used in) operating activities	**(101)**	224
Cash flows from investing activities:		
Additions to property and equipment	**(102)**	(96)
Increase in bank loans, net	**(1,226)**	(1,875)
Proceeds from sales of loans held for investment	**210**	140
Purchases of available-for-sale securities	**(689)**	(899)
Available-for-sale securities maturations, repayments and redemptions	**456**	360
Business acquisition, net of cash acquired	**(5)**	(159)
Other investing activities, net	**(30)**	31
Net cash used in investing activities	**(1,386)**	(2,498)

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine months ended June 30,	
$ in millions	**2019**	2018
Cash flows from financing activities:		
Proceeds from borrowings on the RJF Credit Facility	**300**	300
Repayments of borrowings on the RJF Credit Facility	**(300)**	(300)
Proceeds from/(repayments of) short-term borrowings, net	**50**	(610)
Proceeds from Federal Home Loan Bank advances	**850**	850
Repayments of Federal Home Loan Bank advances and other borrowed funds	**(854)**	(854)
Exercise of stock options and employee stock purchases	**53**	54
Increase in bank deposits	**2,224**	1,747
Purchases of treasury stock	**(616)**	(24)
Dividends on common stock	**(143)**	(107)
Acquisitions of and distributions to noncontrolling interests, net	**(54)**	(14)
Net cash provided by financing activities	**1,510**	1,042
Currency adjustment:		
Effect of exchange rate changes on cash	**(12)**	(47)
Net increase/(decrease) in cash, cash equivalents, and cash segregated pursuant to regulations	**11**	(1,279)
Cash, cash equivalents, and cash segregated pursuant to regulations at beginning of year	**5,941**	7,146
Cash, cash equivalents, and cash segregated pursuant to regulations at end of period	**$ 5,952**	$ 5,867
Cash and cash equivalents	**$ 3,596**	$ 3,180
Cash segregated pursuant to regulations	**2,356**	2,687
Total cash, cash equivalents, and cash segregated pursuant to regulations at end of period	**$ 5,952**	$ 5,867
Supplemental disclosures of cash flow information:		
Cash paid for interest	**$ 208**	$ 127
Cash paid for income taxes, net	**$ 295**	$ 192

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
June 30, 2019

NOTE 1 – ORGANIZATION AND BASIS OF PRESENTATION

Organization

Raymond James Financial, Inc. ("RJF," the "firm" or the "Company") is a financial holding company which, together with its subsidiaries, is engaged in various financial services activities, including providing investment management services for retail and institutional clients, the underwriting, distribution, trading and brokerage of equity and debt securities and the sale of mutual funds and other investment products. The firm also provides corporate and retail banking services, and trust services. For further information about our business segments, see Note 21 of this Form 10-Q. As used herein, the terms "our," "we," or "us" refer to RJF and/or one or more of its subsidiaries.

Basis of presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of RJF and its consolidated subsidiaries that are generally controlled through a majority voting interest. We consolidate all of our 100% owned subsidiaries. In addition, we consolidate any variable interest entity ("VIE") in which we are the primary beneficiary. Additional information on these VIEs is provided in Note 2 of our Annual Report on Form 10-K (the "2018 Form 10-K") for the year ended September 30, 2018, as filed with the United States ("U.S.") Securities and Exchange Commission ("SEC") and in Note 9 of this Form 10-Q. When we do not have a controlling interest in an entity, but we exert significant influence over the entity, we apply the equity method of accounting. All material intercompany balances and transactions have been eliminated in consolidation.

Accounting estimates and assumptions

Certain financial information that is normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") but is not required for interim reporting purposes has been condensed or omitted. These unaudited condensed consolidated financial statements reflect, in the opinion of management, all adjustments necessary for a fair presentation of our consolidated financial position and results of operations for the periods presented.

The nature of our business is such that the results of any interim period are not necessarily indicative of results for a full year. These unaudited condensed consolidated financial statements should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes thereto included in our 2018 Form 10-K. To prepare condensed consolidated financial statements in conformity with GAAP, we must make certain estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from those estimates and could have a material impact on the condensed consolidated financial statements.

Reclassifications

Effective with the firm's first fiscal quarter ended December 31, 2018, we have reclassified certain revenues among income statement line items and renamed certain line items. These reclassifications do not affect the Company's reported total revenues or the total revenues in any of our segments for any of the previously reported periods. Prior period results have been conformed to the current presentation.

In addition to the reclassifications discussed in the preceding paragraph, certain other prior period amounts have been reclassified to conform to the current period's presentation.

NOTE 2 – UPDATE OF SIGNIFICANT ACCOUNTING POLICIES

A summary of our significant accounting policies is included in Note 2 of our 2018 Form 10-K. During the nine months ended June 30, 2019, there were no significant changes to our significant accounting policies other than the accounting policies adopted or modified as part of our implementation of new or amended accounting guidance, as noted in the following sections.

Loans to financial advisors, net

We offer loans to financial advisors and certain other key revenue producers, primarily for recruiting, transitional cost assistance, and retention purposes. We present the outstanding balance of loans to financial advisors on our Condensed Consolidated Statements of Financial Condition, net of the allowance for doubtful accounts. Of the gross balance outstanding, the portion associated with financial advisors who are no longer affiliated with us was $22 million and $20 million at June 30, 2019 and September 30, 2018, respectively. Our allowance for doubtful accounts was $10 million and $8 million at June 30, 2019 and September 30, 2018, respectively.

Recent accounting developments

Accounting guidance recently adopted

Goodwill - In January 2017, the FASB issued amended guidance to simplify the subsequent measurement of goodwill, eliminating "Step 2" from the goodwill impairment test (ASU 2017-04). Under this amended guidance, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and subsequently recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. We early-adopted this guidance on January 1, 2019, our goodwill impairment test date. The adoption did not have any impact on our financial position or results of operations.

Revenue recognition - In May 2014, the FASB issued new guidance related to revenue recognition (ASU 2014-09). The new guidance is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. It also provides guidance on accounting for certain contract costs and requires additional disclosures. We adopted this guidance as of October 1, 2018, under a modified retrospective approach for all open contracts as of the date of initial adoption. As such, there was no impact on our prior period results.

The primary impact of this guidance was the change in the presentation of certain costs from a net presentation within revenues to a gross presentation, particularly costs related to merger & acquisitions advisory and underwriting transactions and certain administrative costs related to our multi-bank sweep program. These presentation changes had no impact on our net earnings. There were no material changes in timing of revenues recognized associated with the adoption. As a result, adoption of this guidance had no material impact on our net results of operations or financial position. See Note 16 for further information.

Financial instruments - In January 2016, the FASB issued new guidance related to the accounting for financial instruments (ASU 2016-01). Among its provisions, this new guidance generally requires equity investments to be measured at fair value with changes in fair value recognized in net income, subject to certain exceptions, and amends certain disclosure requirements associated with the fair value of financial instruments. We adopted this guidance as of October 1, 2018, under a modified retrospective approach. As a result, on a prospective basis beginning as of the date of adoption, we record changes in the fair value of our investments in equity securities that were previously classified as available-for-sale in net income. Previously, such unrealized gains/(losses) were reflected in other comprehensive income/(loss) ("OCI"). The impact of adopting the new guidance resulted in a reclassification from accumulated other comprehensive income/(loss) ("AOCI") to retained earnings of an accumulated gain of approximately $4 million at October 1, 2018. See Note 5 for further information.

Statement of Cash Flows (classification of certain cash receipts and cash payments) - In August 2016, the FASB issued amended guidance related to the Statement of Cash Flows (ASU 2016-15). The amended guidance provides guidance on disclosure and classification of certain items within the statements of cash flows. We adopted this guidance on October 1, 2018, under a retrospective approach. The adoption did not have a material impact on our consolidated statements of cash flows and did not have an impact on our financial position or results of operations.

Statement of Cash Flows (restricted cash) - In November 2016, the FASB issued new guidance related to the classification and presentation of changes in restricted cash on the statement of cash flows (ASU 2016-18). The guidance requires an entity to include restricted cash and cash equivalents in its total of cash and cash equivalents on its statement of cash flows and to present a reconciliation of the beginning-of-period and end-of-period total of such amounts on the statement of cash flows. We adopted this guidance on

October 1, 2018, under a retrospective approach. As a result of adoption, we recorded a decrease of $765 million in net cash provided by operating activities for the nine months ended June 30, 2018 related to reclassifying changes in cash segregated pursuant to regulations from operating activities to the cash and cash equivalents balance in the Condensed Consolidated Statements of Cash Flows. The total of cash segregated pursuant to regulations and cash and cash equivalents is included in a separate table in the Condensed Consolidated Statements of Cash Flows. The adoption did not have an impact on our financial position or results of operations.

Definition of a business - In January 2017, the FASB issued amended guidance related to the definition of a business (ASU 2017-01). This amended guidance clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. We adopted this guidance on October 1, 2018, on a prospective basis. The impact of the adoption of this amended guidance is dependent upon acquisition and disposal activities subsequent to the date of adoption. The adoption did not have any impact on our financial position or results of operations.

Share-based payment awards (modifications) - In May 2017, the FASB issued amended guidance that clarifies when changes to the terms or conditions of share-based payment awards require an entity to apply modification accounting (ASU 2017-09). The amended guidance states an entity should account for the effects of a modification unless certain criteria are met which include that the modified award has the same fair value, vesting conditions and classification as the original award. We adopted the guidance on October 1, 2018, on a prospective basis. We generally do not modify our share-based payments awards. The adoption did not have an impact on our financial position or results of operations.

Share-based payment awards (nonemployee) - In June 2018, the FASB issued amended guidance that aligns the measurement and classification guidance for share-based payments to nonemployees with the guidance for share-based payments to employees, with certain exceptions (ASU 2018-07). The amended guidance states an entity should measure the fair value of the award by estimating the fair value of the equity instruments to be issued and, for equity-classified awards, the fair value should be measured on the grant date. The amended guidance also clarifies that nonemployee awards that contain a performance condition are to be measured based on the outcome that is probable and that entities may elect, on an award-by-award basis, to use the expected term or contractual term to measure the award. We early-adopted this standard on October 1, 2018, using a modified retrospective approach. The adoption did not have a significant impact on our financial position or results of operations.

Accounting guidance not yet adopted as of June 30, 2019

Lease accounting - In February 2016, the FASB issued new guidance related to the accounting for leases (ASU 2016-02). The new guidance and subsequent amendments requires the recognition of assets and liabilities on the balance sheet related to the rights and obligations created by lease agreements with terms greater than twelve months, regardless of whether they are classified as finance or operating leases. Consistent with current guidance, the recognition, measurement and presentation of expenses and cash flows arising from a lease will primarily depend upon its classification as a finance or operating lease. The new guidance requires new disclosures to help financial statement users better understand the amount, timing and cash flows arising from leases. This new guidance, including subsequent amendments, is first effective for our fiscal year beginning on October 1, 2019. Although permitted, we do not plan to early adopt. Upon adoption, we will use the alternative modified retrospective approach, with a cumulative effect adjustment to opening retained earnings in the period of adoption. Our implementation efforts include reviewing existing leases and service contracts, which may include embedded leases. We are near completion with the process of identifying and validating changes to our business policies and processes, systems and controls, and reports to support adoption of the new guidance. This new guidance will increase both our assets and liabilities on our statement of financial condition. We are evaluating the magnitude of such impact. We do not expect a material impact on our results of operations.

Credit losses - In June 2016, the FASB issued new guidance related to the measurement of credit losses on financial instruments (ASU 2016-13). The amended guidance involves several aspects of the accounting for credit losses related to certain financial instruments including assets measured at amortized cost, available-for-sale debt securities and certain off-balance sheet commitments. The new guidance, and subsequent updates, broadens the information that an entity must consider in developing its estimated credit losses expected to occur over the remaining life of assets measured either collectively or individually to include historical experience, current conditions and reasonable and supportable forecasts, replacing the existing incurred credit loss model and other models with the Current Expected Credit Losses ("CECL") model. The new guidance expands the disclosure requirements regarding an entity's assumptions, models, and methods for estimating credit losses and requires new disclosures of the amortized cost balance for each class of financial asset by credit quality indicator, disaggregated by the year of origination. This new guidance is first effective for our fiscal year beginning on October 1, 2020 and will be adopted under a modified retrospective approach. Although permitted, we do not plan to early adopt. We have continued with our implementation and evaluation efforts, which include a cross-functional team to assess the required changes to our credit loss estimation methodologies and systems, as well as the determination of additional data and resources required to comply with the new guidance. We are evaluating the impact the adoption of this new guidance will have on our financial position and results of operations, which will depend on, among other things, the current and expected macroeconomic conditions and the nature and characteristics of financial assets held by us on the date of adoption.

Callable debt securities - In March 2017, the FASB issued new guidance that requires certain premiums on callable debt securities to be amortized to the earliest call date instead of the contractual life of the security (ASU 2017-08). Discounts on callable debt securities will continue to be amortized to the contractual maturity date. This guidance is first effective for our fiscal year beginning on October 1, 2019 and will be adopted using a modified retrospective approach. Although permitted, we do not plan to early adopt. We are evaluating the impact the adoption of this new guidance will have on our financial position and results of operations.

Internal use software (cloud computing) - In August 2018, the FASB issued guidance on the accounting for implementation costs incurred by customers in cloud computing arrangements (ASU 2018-15). This guidance requires implementation costs incurred by customers in cloud computing arrangements to be deferred over the non-cancellable term of the cloud computing arrangements plus any optional renewal periods (1) that are reasonably certain to be exercised by the customer or (2) for which exercise of the renewal option is controlled by the cloud service provider. This amended guidance is first effective for our fiscal year beginning on October 1, 2020 with early adoption permitted. The guidance may be adopted either using the prospective or retrospective approach. We are currently evaluating the impact of this new guidance on our financial position and results of operations.

Derivatives and hedging (interest rate) - In October 2018, the FASB issued guidance amending Derivatives and Hedging (Topic 815) to add the overnight index swap (OIS rate) rate based on the Secured Overnight Financing Rate (SOFR) to the list of US benchmark interest rates that are eligible to be hedged (ASU 2018-16). This guidance is first effective for our fiscal year beginning on October 1, 2019. Early adoption is permitted. We are evaluating the impact the adoption of this new guidance will have on our financial position and results of operations.

Consolidation (decision making fees) - In October 2018, the FASB issued guidance on how all entities evaluate decision-making fees under the variable interest entity guidance (ASU 2018-17). Under the new guidance, to determine whether decision-making fees represent a variable interest, an entity considers indirect interests held through related parties under common control on a proportionate basis, rather than in their entirety. This guidance is first effective for our fiscal year beginning on October 1, 2020. Early adoption is permitted. We are evaluating the impact the adoption of this new guidance will have on our financial position and results of operations.

NOTE 3 - ACQUISITIONS

Effective April 2019, we increased our ownership of ClariVest Asset Management LLC ("ClariVest") from 45% to 100% making ClariVest a wholly-owned subsidiary of Eagle Asset Management. ClariVest has been included in our consolidated financial statements since our initial investment of the 45% interest as we concluded we were required to consolidate as defined by accounting guidance. The increase in ownership was accounted for as a shareholder's equity transaction.

In April 2019, we completed our acquisition of Silver Lane Advisors LLC ("Silver Lane"), a boutique investment bank focused on merger & acquisition advisory. Silver Lane has been integrated into our Capital Markets segment. We accounted for this acquisition under the acquisition method of accounting with the assets and liabilities of Silver Lane recorded as of the acquisition date at their respective fair values in our consolidated financial statements. For purposes of certain acquisition-related financial reporting requirements, the Silver Lane acquisition was not considered a material acquisition. Silver Lane's results of operations have been included in our results prospectively from April 1, 2019.

NOTE 4 – FAIR VALUE

Our "Financial instruments owned" and "Financial instruments sold but not yet purchased" on our Condensed Consolidated Statements of Financial Condition are recorded at fair value under GAAP. For further information about such instruments and our significant accounting policies related to fair value, see Note 2 and Note 4 of our 2018 Form 10-K. The following tables present assets and liabilities measured at fair value on a recurring basis. Netting adjustments represent the impact of counterparty and collateral netting on our derivative balances included on our Condensed Consolidated Statements of Financial Condition. See Note 6 for additional information.

$ in millions	Level 1	Level 2	Level 3	Netting adjustments	Balance as of June 30, 2019
Assets at fair value on a recurring basis:					
Trading instruments					
Municipal and provincial obligations	$ —	$ 242	$ —	$ —	$ 242
Corporate obligations	12	111	—	—	123
Government and agency obligations	32	84	—	—	116
Agency mortgage-backed securities ("MBS") and collateralized mortgage obligations ("CMOs")	—	198	—	—	198
Non-agency CMOs and asset-backed securities ("ABS")	—	71	—	—	71
Total debt securities	44	706	—	—	750
Equity securities	12	1	—	—	13
Brokered certificates of deposit	—	39	—	—	39
Other	—	—	1	—	1
Total trading instruments	56	746	1	—	803
Available-for-sale securities - agency MBS and CMOs	—	2,960	—	—	2,960
Derivative assets					
Interest rate - Matched book	—	246	—	—	246
Interest rate - Other	10	127	—	(80)	57
Foreign exchange	—	1	—	—	1
Total derivative assets	10	374	—	(80)	304
Private equity investments - not measured at net asset value ("NAV")	—	—	59	—	59
Other investments	187	1	65	—	253
Subtotal	253	4,081	125	(80)	4,379
Private equity investments - measured at NAV					87
Total assets at fair value on a recurring basis	$ 253	$ 4,081	$ 125	$ (80)	$ 4,466
Liabilities at fair value on a recurring basis:					
Trading instruments sold but not yet purchased					
Municipal and provincial obligations	$ 1	$ —	$ —	$ —	$ 1
Corporate obligations	1	16	—	—	17
Government and agency obligations	260	—	—	—	260
Total debt securities	262	16	—	—	278
Equity securities	6	—	—	—	6
Other	—	—	3	—	3
Total trading instruments sold but not yet purchased	268	16	3	—	287
Derivative liabilities					
Interest rate - Matched book	—	246	—	—	246
Interest rate - Other	12	106	—	(100)	18
Foreign exchange	—	4	—	—	4
Equity - Deutsche Bank restricted stock unit ("DBRSU") obligation	—	7	—	—	7
Total derivative liabilities	12	363	—	(100)	275
Total liabilities at fair value on a recurring basis	$ 280	$ 379	$ 3	$ (100)	$ 562

$ in millions	Level 1	Level 2	Level 3	Netting adjustments	Balance as of September 30, 2018
Assets at fair value on a recurring basis:					
Trading instruments					
Municipal and provincial obligations	$ 1	$ 247	$ —	$ —	$ 248
Corporate obligations	10	100	—	—	110
Government and agency obligations	19	72	—	—	91
Agency MBS and CMOs	3	124	—	—	127
Non-agency CMOs and ABS	—	69	—	—	69
Total debt securities	33	612	—	—	645
Equity securities	15	—	—	—	15
Brokered certificates of deposit	—	39	—	—	39
Other	—	2	1	—	3
Total trading instruments	48	653	1	—	702
Available-for-sale securities					
Agency MBS and CMOs	—	2,628	—	—	2,628
Other securities	1	—	—	—	1
Auction rate securities (“ARS”) preferred	—	—	67	—	67
Total available-for-sale securities	1	2,628	67	—	2,696
Derivative assets					
Interest rate - Matched book	—	160	—	—	160
Interest rate - Other	—	74	—	(55)	19
Foreign exchange	—	1	—	—	1
Total derivative assets	—	235	—	(55)	180
Private equity investments - not measured at NAV	—	—	56	—	56
Other investments	201	1	—	—	202
Subtotal	250	3,517	124	(55)	3,836
Private equity investments - measured at NAV					91
Total assets at fair value on a recurring basis	$ 250	$ 3,517	$ 124	$ (55)	$ 3,927
Liabilities at fair value on a recurring basis:					
Trading instruments sold but not yet purchased					
Municipal and provincial obligations	$ —	$ 1	$ —	$ —	$ 1
Corporate obligations	2	25	—	—	27
Government and agency obligations	194	—	—	—	194
Non-agency MBS and CMOs	—	1	—	—	1
Total debt securities	196	27	—	—	223
Equity securities	5	—	—	—	5
Other	—	—	7	—	7
Total trading instruments sold but not yet purchased	201	27	7	—	235
Derivative liabilities					
Interest rate - Matched book	—	160	—	—	160
Interest rate - Other	—	114	—	(47)	67
Foreign exchange	—	4	—	—	4
Equity - DBRSU obligation	—	16	—	—	16
Total derivative liabilities	—	294	—	(47)	247
Total liabilities at fair value on a recurring basis	$ 201	$ 321	$ 7	$ (47)	$ 482

Level 3 recurring fair value measurements

The following tables present the changes in fair value for Level 3 assets and liabilities measured at fair value on a recurring basis. The realized and unrealized gains and losses in the tables may include changes in fair value that were attributable to both observable and unobservable inputs. In the following tables, gains/(losses) on trading instruments are reported in "Principal transactions," gains/(losses) on private equity and other investments are reported in "Other" revenues, and gains/(losses) on available-for-sale securities are reported in either "Other" revenues (when included in earnings) or "Other comprehensive income" in our Condensed Consolidated Statements of Income and Comprehensive Income.

Three months ended June 30, 2019
Level 3 instruments at fair value

	Financial assets			Financial liabilities
$ in millions	Trading instruments - Other	Private equity investments	Other investments	Trading instruments - Other
Fair value beginning of period	$ 2	$ 59	$ 67	$ (7)
Total gains/(losses) included in earnings	(1)	—	(2)	—
Purchases and contributions	26	—	—	7
Sales	(26)	—	—	(3)
Transfers:				
Into Level 3	—	—	—	—
Out of Level 3	—	—	—	—
Fair value end of period	$ 1	$ 59	$ 65	$ (3)
Unrealized gains/(losses) for the period included in earnings for instruments held at the end of the reporting period	$ 1	$ —	$ (2)	$ —

Nine months ended June 30, 2019
Level 3 instruments at fair value

	Financial assets			Financial liabilities
$ in millions	Trading instruments - Other	Private equity investments	Other investments (1)	Trading instruments - Other
Fair value beginning of period	$ 1	$ 56	$ 67	$ (7)
Total gains/(losses) included in earnings	(1)	—	(2)	2
Purchases and contributions	86	3	—	16
Sales	(85)	—	—	(14)
Transfers:				
Into Level 3	—	—	—	—
Out of Level 3	—	—	—	—
Fair value end of period	$ 1	$ 59	$ 65	$ (3)
Unrealized gains/(losses) for the period included in earnings for instruments held at the end of the reporting period	$ 1	$ —	$ (2)	$ —

(1) Beginning of period balance includes $67 million of preferred ARS, which were reclassified from available-for-sale securities in connection with the adoption of ASU 2016-01. See Note 2 for additional information.

Three months ended June 30, 2018
Level 3 instruments at fair value

	Financial assets			Financial liabilities
$ in millions	Trading instruments - Other	Available-for-sale securities - ARS - preferred	Private equity investments	Trading instruments - Other
Fair value beginning of period	$ 1	$ 108	$ 96	$ (1)
Total gains/(losses) for the period:				
Included in earnings	—	—	4	—
Included in other comprehensive income	—	3	—	—
Purchases and contributions	18	—	—	—
Sales	(15)	—	(28)	(1)
Transfers:				
Into Level 3	—	—	—	—
Out of Level 3	—	—	—	—
Fair value end of period	$ 4	$ 111	$ 72	$ (2)
Unrealized gains/(losses) for the period included in earnings for instruments held at the end of the reporting period	$ 1	$ —	$ —	$ —
Unrealized gains/(losses) for the period included in other comprehensive income for instruments held at the end of the reporting period	$ —	$ 3	$ —	$ —

Nine months ended June 30, 2018
Level 3 instruments at fair value

	Financial assets			Financial liabilities
$ in millions	Trading instruments - Other	Available-for-sale securities - ARS - preferred	Private equity investments	Trading instruments - Other
Fair value beginning of period	$ 6	$ 106	$ 89	$ —
Total gains/(losses) for the period:				
Included in earnings	(1)	—	11	—
Included in other comprehensive income	—	5	—	—
Purchases and contributions	62	—	—	—
Sales	(63)	—	(28)	(2)
Transfers:				
Into Level 3	—	—	—	—
Out of Level 3	—	—	—	—
Fair value end of period	$ 4	$ 111	$ 72	$ (2)
Unrealized gains/(losses) for the period included in earnings for instruments held at the end of the reporting period	$ 1	$ —	$ —	$ —
Unrealized gains/(losses) for the period included in other comprehensive income for instruments held at the end of the reporting period	$ —	$ 5	$ —	$ —

As of June 30, 2019, 12% of our assets and 2% of our liabilities were measured at fair value on a recurring basis. In comparison, as of September 30, 2018, 10% of our assets and 2% of our liabilities were measured at fair value on a recurring basis. Instruments measured at fair value on a recurring basis categorized as Level 3 represented 3% of our assets measured at fair value as of both June 30, 2019 and September 30, 2018.

Quantitative information about level 3 fair value measurements

The following tables present the valuation techniques and significant unobservable inputs used in the valuation of a significant majority of our financial instruments classified as level 3. These inputs represent those that a market participant would take into account when pricing these instruments. Weighted averages are calculated by weighting each input by the relative fair values of the related financial instrument.

Level 3 financial instrument *$ in millions*	**Fair value at June 30, 2019**	**Valuation technique(s)**	**Unobservable input**	**Range (weighted-average)**
Recurring measurements				
Other investments - ARS preferred	**$ 24**	Discounted cash flow	Average discount rate	5.35% - 6.35% (5.85%)
			Average interest rates applicable to future interest income on the securities (1)	2.31% - 2.31% (2.31%)
			Prepayment year (2)	2019 - 2022 (2022)
	$ 40	Other investment-specific events (3)	Not meaningful (3)	Not meaningful (3)
Private equity investments (not measured at NAV)	**$ 46**	Income approach - discounted cash flow	Discount rate	25%
			Terminal EBITDA multiple	10.0x
			Terminal year	2022 - 2042 (2023)
	$ 13	Transaction price or other investment-specific events (4)	Not meaningful (4)	Not meaningful (4)

Level 3 financial instrument *$ in millions*	**Fair value at September 30, 2018**	**Valuation technique(s)**	**Unobservable input**	**Range (weighted-average)**
Recurring measurements				
ARS preferred	$ 67	Discounted cash flow	Average discount rate	6.50% - 7.85% (7.13%)
			Average interest rates applicable to future interest income on the securities (1)	4.13% - 5.51% (4.47%)
			Prepayment year (2)	2018 - 2021 (2021)
Private equity investments (not measured at NAV)	$ 43	Income approach - discounted cash flow	Discount rate	25%
			Terminal EBITDA multiple	10.0x
			Terminal year	2022 - 2042 (2023)
	$ 13	Transaction price or other investment-specific events (4)	Not meaningful (4)	Not meaningful (4)

(1) Interest rates are projected based upon a forward interest rate path, plus a spread over such projected base rate that is applicable to each future period for each security within this portfolio segment. The interest rates presented represent the average interest rate over all projected periods for securities within the portfolio segment.

(2) Assumed calendar year of at least a partial redemption of the outstanding security by the issuer.

(3) During the third fiscal quarter of 2019, an issuer within our ARS preferred portfolio commenced tender offers to which we tendered holdings with a fair value of $40 million as of June 30, 2019. The tender offers were settled and payment was received in July 2019.

(4) Certain investments are valued initially at transaction price and updated as other investment-specific events take place which indicate that a change in the carrying values of these investments is appropriate. Other investment-specific events include such events as our periodic review, significant transactions occur, new developments become known, or we receive information from a fund manager which allows us to update our proportionate share of net assets.

Qualitative disclosure about unobservable inputs

For our recurring fair value measurements categorized within Level 3 of the fair value hierarchy, the sensitivity of the fair value measurement to changes in significant unobservable inputs and interrelationships between those unobservable inputs are described in the following sections.

Other investments - ARS preferred

The future interest rate and prepayment assumptions impacting the valuation of the auction rate securities are directly related. As short-term interest rates rise, the penalty interest rates, which are embedded in most of these securities in the event auctions fail to set the security's interest rate, also increase. As penalty interest rates rise, we estimate that issuers of the securities will have the economic incentive to refinance (and thus prepay) the securities. As such, increases in interest rates, which would generally result in an earlier prepayment assumption, would have increased the fair value of the securities. Increases in the discount rates would have resulted in a lower fair value of the securities.

Private equity investments

The significant unobservable inputs used in the fair value measurement of private equity investments generally relate to the financial performance of the investment entity and the market's required return on investments from entities in industries in which we hold investments. Increases in the discount rate and/or a later terminal year would have resulted in a lower fair value measurement. Increases in the terminal EBITDA multiple would have resulted in a higher fair value measurement.

Investments in private equity measured at net asset value per share

As more fully described in Note 2 of our 2018 Form 10-K, as a practical expedient, we utilize NAV or its equivalent to determine the recorded value of a portion of our private equity investments portfolio. We utilize NAV when the fund investment does not have a readily determinable fair value and the NAV of the fund is calculated in a manner consistent with the measurement principles of investment company accounting, including measurement of the investments at fair value.

Our private equity portfolio as of June 30, 2019 included various direct investments, as well as investments in third-party private equity funds and various private equity funds which we sponsor. The portfolio is primarily invested in a broad range of industries including leveraged buyouts, growth capital, distressed capital, venture capital and mezzanine capital. Due to the closed-end nature of certain of our fund investments, such investments cannot be redeemed directly with the funds. Our investment is monetized by distributions received through the liquidation of the underlying assets of those funds, the timing of which is uncertain.

The following table presents the recorded value and unfunded commitments related to our private equity investments portfolio.

$ in millions	Recorded value	Unfunded commitment
June 30, 2019		
Private equity investments measured at NAV	**$ 87**	**$ 15**
Private equity investments not measured at NAV	**59**	
Total private equity investments	**$ 146**	
September 30, 2018		
Private equity investments measured at NAV	$ 91	$ 18
Private equity investments not measured at NAV	56	
Total private equity investments	$ 147	

Of the total private equity investments, the portions we owned were $101 million and $103 million as of June 30, 2019 and September 30, 2018, respectively. The portions of the private equity investments we did not own were $45 million and $44 million as of June 30, 2019 and September 30, 2018, respectively, and were included as a component of noncontrolling interests on our Condensed Consolidated Statements of Financial Condition.

Many of these fund investments meet the definition of prohibited covered funds as defined by the Volcker Rule enacted pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"). We have received approval from the Board of Governors of the Federal Reserve System (the "Fed") to continue to hold the majority of our covered fund investments until July 2022. However, our current focus is on the divestiture of this portfolio.

Financial instruments measured at fair value on a nonrecurring basis

The following table presents assets measured at fair value on a nonrecurring basis along with the valuation techniques and significant unobservable inputs used in the valuation of the assets classified as level 3. These inputs represent those that a market participant would take into account when pricing these instruments. Weighted averages are calculated by weighting each input by the relative fair values of the related financial instrument.

$ in millions	Level 2	Level 3	Total fair value	Valuation technique(s)	Unobservable input	Range (weighted-average)
June 30, 2019						
Bank loans, net:						
Impaired loans: residential	**$ 7**	**$ 15**	**$ 22**	Discounted cash flow	Prepayment rate	7 yrs. - 12 yrs. (10.4 yrs.)
Impaired loans: corporate	**$ —**	**$ 28**	**$ 28**	Collateral or discounted cash flow (1)	Not meaningful (1)	Not meaningful (1)
Loan held for sale	**$ 52**	**$ —**	**$ 52**	N/A	N/A	N/A
Other assets: other real estate owned	**$ 1**	**$ —**	**$ 1**	N/A	N/A	N/A
September 30, 2018						
Bank loans, net:						
Impaired loans: residential	$ 10	$ 17	$ 27	Discounted cash flow	Prepayment rate	7 yrs. - 12 yrs. (10.5 yrs.)
Impaired loans: corporate	$ —	$ 1	$ 1	Collateral or discounted cash flow (1)	Not meaningful (1)	Not meaningful (1)
Loan held for sale	$ 41	$ —	$ 41	N/A	N/A	N/A

(1) The valuation techniques used for the corporate loans are collateral value less selling costs for the collateral dependent loans and discounted cash flows for impaired loans that are not collateral dependent.

Financial instruments not measured at fair value

The following table presents the estimated fair value and fair value hierarchy of financial assets and liabilities that are not recorded at fair value on the Condensed Consolidated Statements of Financial Condition. This table excludes financial instruments that are carried at amounts which approximate fair value. Refer to Note 4 of our 2018 Form 10-K for discussion of the fair value hierarchy classification of our financial instruments that are not recorded at fair value.

Effective October 1, 2018, we adopted new accounting guidance (ASU 2016-01), which requires the fair value of financial instruments not carried at fair value on our statement of financial condition to be estimated utilizing an exit price and eliminates certain disclosure requirements related to these instruments, including exempting certain financial instruments from disclosure (e.g., demand deposits). Prior periods have not been updated to reflect this new accounting guidance.

$ in millions	Level 1	Level 2	Level 3	Total estimated fair value	Carrying amount
June 30, 2019					
Financial assets:					
Bank loans, net	**$ —**	**$ 81**	**$ 20,474**	**$ 20,555**	**$ 20,589**
Financial liabilities:					
Bank deposits - Certificates of deposit	**$ —**	**$ —**	**$ 550**	**$ 550**	**$ 543**
Senior notes payable	**$ —**	**$ 1,694**	**$ —**	**$ 1,694**	**$ 1,550**
September 30, 2018					
Financial assets:					
Bank loans, net	$ —	$ 124	$ 19,116	$ 19,240	$ 19,449
Financial liabilities:					
Bank deposits	$ —	$ 19,496	$ 439	$ 19,935	$ 19,942
Senior notes payable	$ —	$ 1,558	$ —	$ 1,558	$ 1,550

NOTE 5 – AVAILABLE-FOR-SALE SECURITIES

Available-for-sale securities are comprised of agency MBS and CMOs owned by Raymond James Bank, N.A. ("RJ Bank"). Refer to the discussion of our available-for-sale securities accounting policies, including the fair value determination process, in Note 2 of our 2018 Form 10-K. As of October 1, 2018, we adopted new accounting guidance related to the classification and measurement of financial instruments (ASU 2016-01), which requires changes in the fair value of equity securities to be recorded in net income. See Note 2 for further information. As a result, on a prospective basis beginning October 1, 2018, unrealized gains/(losses) on our equity securities previously classified and accounted for as available-for-sale are recorded in net income instead of OCI. Accordingly, as of the date of adoption we reclassified approximately $68 million of equity securities, substantially all of which consisted of preferred ARS, from "Available-for-sale securities" to "Other investments" on our Condensed Consolidated Statements of Financial Condition.

The following table details the amortized cost and fair values of our available-for-sale securities.

$ in millions	Cost basis	Gross unrealized gains	Gross unrealized losses	Fair value
June 30, 2019				
Agency residential MBS	**$ 1,529**	**$ 17**	**$ (2)**	**$ 1,544**
Agency commercial MBS	**285**	**4**	**—**	**289**
Agency CMOs	**1,125**	**6**	**(4)**	**1,127**
Total available-for-sale securities	**$ 2,939**	**$ 27**	**$ (6)**	**$ 2,960**
September 30, 2018				
Agency residential MBS	$ 1,616	$ —	$ (40)	$ 1,576
Agency commercial MBS	47	—	—	47
Agency CMOs	1,035	—	(30)	1,005
Other securities	2	—	(1)	1
Total RJ Bank available-for-sale securities	2,700	—	(71)	2,629
ARS preferred	61	6	—	67
Total available-for-sale securities	$ 2,761	$ 6	$ (71)	$ 2,696

See Note 4 for additional information regarding the fair value of available-for-sale securities.

The following table details the contractual maturities, amortized cost, carrying values and current yields for our available-for-sale securities. Since our MBS and CMO available-for-sale securities are backed by mortgages, actual maturities may differ from contractual maturities because borrowers may have the right to prepay obligations without prepayment penalties.

	June 30, 2019				
$ in millions	Within one year	After one but within five years	After five but within ten years	After ten years	Total
Agency residential MBS					
Amortized cost	**$ —**	**$ 25**	**$ 869**	**$ 635**	**$ 1,529**
Carrying value	**$ —**	**$ 25**	**$ 877**	**$ 642**	**$ 1,544**
Agency commercial MBS					
Amortized cost	**$ 5**	**$ 214**	**$ 32**	**$ 34**	**$ 285**
Carrying value	**$ 5**	**$ 216**	**$ 33**	**$ 35**	**$ 289**
Agency CMOs					
Amortized cost	**$ —**	**$ —**	**$ 92**	**$ 1,033**	**$ 1,125**
Carrying value	**$ —**	**$ —**	**$ 92**	**$ 1,035**	**$ 1,127**
Total available-for-sale securities					
Amortized cost	**$ 5**	**$ 239**	**$ 993**	**$ 1,702**	**$ 2,939**
Carrying value	**$ 5**	**$ 241**	**$ 1,002**	**$ 1,712**	**$ 2,960**
Weighted-average yield	**1.85%**	**2.31%**	**2.39%**	**2.53%**	**2.46%**

The following table details the gross unrealized losses and fair value of securities that were in a loss position at the reporting period end, aggregated by investment category and length of time the individual securities have been in a continuous unrealized loss position.

	Less than 12 months		12 months or more		Total	
$ in millions	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses
June 30, 2019						
Agency residential MBS	**$ 37**	**$ —**	**$ 397**	**$ (2)**	**$ 434**	**$ (2)**
Agency commercial MBS	**—**	**—**	**48**	**—**	**48**	**—**
Agency CMOs	**19**	**—**	**529**	**(4)**	**548**	**(4)**
Total	**$ 56**	**$ —**	**$ 974**	**$ (6)**	**$ 1,030**	**$ (6)**
September 30, 2018						
Agency residential MBS	$ 747	$ (15)	$ 753	$ (25)	$ 1,500	$ (40)
Agency commercial MBS	40	—	6	—	46	—
Agency CMOs	316	(5)	666	(25)	982	(30)
Other securities	—	—	1	(1)	1	(1)
Total	$ 1,103	$ (20)	$ 1,426	$ (51)	$ 2,529	$ (71)

U.S. government agencies guarantee the contractual cash flows of the agency MBS and CMOs. At June 30, 2019, of the 131 agency MBS and CMOs in an unrealized loss position, six were in a continuous unrealized loss position for less than 12 months and 125 were for 12 months or more. We do not consider these securities to be other-than-temporarily impaired due to the guarantee of the full payment of principal and interest, and the fact that we have the ability and intent to hold these securities. At June 30, 2019, debt securities we held in excess of ten percent of our equity included Federal National Home Mortgage Association ("FNMA") and Federal Home Loan Mortgage Corporation ("FHLMC") which had an amortized cost of $1.85 billion and $833 million, respectively, and a fair value of $1.86 billion and $839 million, respectively.

During the three and nine months ended June 30, 2019 and 2018, there were no sales of agency MBS or CMO available-for-sale securities.

NOTE 6 – DERIVATIVE ASSETS AND DERIVATIVE LIABILITIES

Our derivative assets and derivative liabilities are recorded at fair value and are included in "Derivative assets" and "Derivative liabilities" on our Condensed Consolidated Statements of Financial Condition. Cash flows related to our derivatives are included within operating activities in the Condensed Consolidated Statements of Cash Flows. The significant accounting policies governing our derivatives, including our methodologies for determining fair value, are described in Note 2 of our 2018 Form 10-K.

Derivatives arising from our fixed income business operations

We enter into interest rate derivatives in our fixed income business to facilitate client transactions or to actively manage risk exposures that arise from our client activity, including a portion of our trading inventory. The majority of these derivatives are traded in the over-the-counter market and are executed directly with another counterparty or are cleared and settled through a clearing organization.

We also facilitate matched book derivative transactions in which Raymond James Financial Products, Inc. ("RJFP"), a wholly owned subsidiary, enters into interest rate derivatives with clients. For every derivative RJFP enters into with a client, it also enters into an offsetting derivative on terms that mirror the client transaction with a credit support provider, which is a third-party financial institution. Any collateral required to be exchanged under these derivatives is administered directly between the client and the third-party financial institution. Due to this pass-through transaction structure, RJFP has completely mitigated the market and credit risk on these derivatives. As a result, derivatives for which the fair value is in an asset position have an equal and offsetting derivative liability. RJFP only has credit risk on its uncollected derivative transaction fee revenues. The receivable for uncollected derivative transaction fee revenues of RJFP was insignificant as of June 30, 2019 and September 30, 2018.

Derivatives arising from RJ Bank's business operations

We enter into forward foreign exchange contracts and interest rate swaps to hedge certain exposures arising out of RJ Bank's business operations. Each of these activities is described in Note 2 of our 2018 Form 10-K and in the following paragraphs.

We enter into three-month forward foreign exchange contracts primarily to hedge the risks related to RJ Bank's investment in its Canadian subsidiary, as well as their risk resulting from transactions denominated in currencies other than the U.S. dollar. The majority of these derivatives are designated as net investment hedges.

The cash flows associated with certain assets held by RJ Bank provide interest income at fixed interest rates. Therefore, the value of these assets, absent any risk mitigation, is subject to fluctuation based upon changes in market rates of interest over time. RJ Bank enters into floating-rate advances from the Federal Home Loan Bank ("FHLB") to, in part, fund these assets and then enters into interest rate contracts which swap variable interest payments on this debt for fixed interest payments. These interest rate swaps are designated as cash flow hedges and effectively fix RJ Bank's cost of funds associated with these assets to mitigate a portion of the market risk.

Derivative arising from our acquisition of Alex. Brown

As part of our acquisition of Alex. Brown (see Note 3 of our 2018 Form 10-K for additional information regarding the acquisition), we assumed certain DBRSU awards, which will ultimately be settled in Deutsche Bank AG ("DB") common shares, provided certain performance metrics are achieved. The DBRSU obligation results in a derivative, the fair value and notional of which is measured by multiplying the number of outstanding DBRSU awards to be settled in DB common shares as of the end of the reporting period by the end of reporting period DB share price, as traded on the New York Stock Exchange.

Counterparty netting and collateral related to derivatives

To reduce credit exposure on certain of our derivative transactions, we may enter into a master netting arrangement that allows for net settlement of all derivatives with each counterparty. In addition, the credit support annex allows parties to the master netting agreement to mitigate their credit risk by requiring the party which is out of the money to post collateral. We accept collateral in the form of cash or other marketable securities. Where permitted, we elect to net-by-counterparty certain derivatives entered into under a legally enforceable master netting agreement and, therefore, the fair value of those derivatives are netted by counterparty on the Condensed Consolidated Statements of Financial Condition. As we elect to net-by-counterparty the fair value of such derivatives, we also net-by-counterparty cash collateral exchanged as part of those derivative agreements. We may also require certain counterparties to make a deposit at the inception of a derivative agreement, referred to as "initial margin." This initial margin is included in "Other payables" on our Condensed Consolidated Statements of Financial Condition.

We are also required to maintain deposits with the clearing organizations we utilize to clear certain of our interest rate derivatives. This initial margin is included as a component of "Other investments" or "Available-for-sale securities" on our Condensed Consolidated Statements of Financial Condition. On a daily basis, we also pay cash to or receive cash from these clearing organizations due to changes in the fair value of the derivatives which they clear. Such payments are referred to as "variation margin" and are considered to be settlement of the related derivatives.

Due to the short-term nature of forward foreign exchange contracts, RJ Bank is generally not required to post collateral with and does not generally receive collateral from its respective counterparties.

Derivative balances included in our financial statements

The following table presents the gross fair value and notional amount of derivatives by product type, the amounts of counterparty and cash collateral netting on our Condensed Consolidated Statements of Financial Condition, as well as collateral posted and received under credit support agreements that do not meet the criteria for netting under GAAP.

	June 30, 2019			September 30, 2018		
$ in millions	**Derivative assets**	**Derivative liabilities**	**Notional amount**	Derivative assets	Derivative liabilities	Notional amount
Derivatives not designated as hedging instruments						
Interest rate:						
Matched book	**$ 246**	**$ 246**	**$ 2,325**	$ 160	$ 160	$ 2,416
Other [(1)]	**133**	**117**	**10,197**	74	113	9,398
Foreign exchange	**1**	**1**	**552**	1	1	549
Equity - DBRSU obligation	**—**	**7**	**7**	—	16	16
Subtotal	**380**	**371**	**13,081**	235	290	12,379
Derivatives designated as hedging instruments						
Interest rate	**4**	**1**	**850**	—	1	850
Foreign exchange	**—**	**3**	**853**	—	3	892
Subtotal	**4**	**4**	**1,703**	—	4	1,742
Total gross fair value/notional amount	**384**	**375**	**$ 14,784**	235	294	$ 14,121
Offset on the Condensed Consolidated Statements of Financial Condition						
Counterparty netting	**(16)**	**(16)**		(26)	(26)	
Cash collateral netting	**(64)**	**(84)**		(29)	(21)	
Total amounts offset	**(80)**	**(100)**		(55)	(47)	
Net amounts presented on the Condensed Consolidated Statements of Financial Condition	**304**	**275**		180	247	
Gross amounts not offset on the Condensed Consolidated Statements of Financial Condition						
Financial instruments [(2)]	**(259)**	**(246)**		(162)	(160)	
Total	**$ 45**	**$ 29**		$ 18	$ 87	

(1) Substantially all relates to interest rate derivatives entered into as part of our fixed income business operations, including to be announced ("TBA") security contracts that are accounted for as derivatives.

(2) Although the matched book derivative arrangements do not meet the definition of a master netting arrangement as specified by GAAP, the agreement with the third-party intermediary includes terms that are similar to a master netting agreement. As a result, we present the matched book amounts net in the preceding table.

The following table details the gains/(losses) included in AOCI, net of income taxes, on derivatives designated as hedging instruments. These gains/(losses) include any amounts reclassified from AOCI to income during the period. See Note 15 for additional information.

	Three months ended June 30,		**Nine months ended June 30,**	
$ in millions	**2019**	2018	**2019**	2018
Interest rate (cash flow hedges)	**$ (19)**	$ 6	**$ (49)**	$ 27
Foreign exchange (net investment hedges)	**(12)**	13	**14**	38
Total gains/(losses) in AOCI, net of taxes	**$ (31)**	$ 19	**$ (35)**	$ 65

There were no components of derivative gains or losses excluded from the assessment of hedge effectiveness for each of the three and nine months ended June 30, 2019 and 2018. We expect to reclassify an insignificant amount of interest expense out of AOCI and into earnings within the next 12 months. The maximum length of time over which forecasted transactions are or will be hedged is 8 years.

The following table details the gains/(losses) on derivatives not designated as hedging instruments recognized in the Condensed Consolidated Statements of Income and Comprehensive Income.

		Gain/(loss) recognized during the			
	Location of gain/(loss) included in the Condensed Consolidated Statements of Income and Comprehensive Income	three months ended June 30,		nine months ended June 30,	
$ in millions		**2019**	2018	**2019**	2018
Interest rate	Principal transactions/other revenues	**$ 2**	$ 3	**$ 4**	$ 5
Foreign exchange	Other revenues	**$ (8)**	$ 15	**$ 14**	$ 24
Equity - DBRSU obligation	Compensation, commissions and benefits expense	**$ —**	$ 4	**$ 5**	$ 9

Risks associated with, and our risk mitigation related to, our derivative contracts

Credit risk

We are exposed to credit losses in the event of nonperformance by the counterparties to forward foreign exchange derivative agreements and interest rate derivatives that are not cleared through a clearing organization. Where we are subject to credit exposure, we perform a credit evaluation of counterparties prior to entering into derivative transactions and we monitor their credit standings. We may require initial margin or collateral from counterparties in the form of cash deposits or other marketable securities to support certain of these obligations as established by the credit threshold specified by the agreement and/or as a result of monitoring the credit standing of the counterparties.

Our only exposure to credit risk in the matched book derivatives operations is related to our uncollected derivative transaction fee revenues. We are not exposed to market risk on these derivatives due to the pass-through transaction structure previously described.

Interest rate and foreign exchange risk

We are exposed to interest rate risk related to certain of our interest rate derivatives. We are also exposed to foreign exchange risk related to our forward foreign exchange derivatives. On a daily basis, we monitor our risk exposure on our derivatives based on established limits with respect to a number of factors, including interest rate, foreign exchange spot and forward rates, spread, ratio, basis and volatility risks. These exposures are monitored both on a total portfolio basis and separately for each agreement for selected maturity periods.

Derivatives with credit-risk-related contingent features

Certain of our derivative contracts contain provisions that require our debt to maintain an investment-grade rating from one or more of the major credit rating agencies. If our debt were to fall below investment-grade, the counterparties to the derivative instruments could terminate and request immediate payment or demand immediate and ongoing overnight collateralization on our derivative instruments in liability positions. The aggregate fair value of all derivative instruments with such credit-risk-related contingent features that were in a liability position was insignificant as of both June 30, 2019 and September 30, 2018.

NOTE 7 – COLLATERALIZED AGREEMENTS AND FINANCINGS

Collateralized agreements are securities purchased under agreements to resell ("reverse repurchase agreements") and securities borrowed. Collateralized financings are securities sold under agreements to repurchase ("repurchase agreements") and securities loaned. We enter into these transactions in order to facilitate client activities, invest excess cash, acquire securities to cover short positions and finance certain firm activities. The significant accounting policies governing our collateralized agreements and financings are described in Note 2 of our 2018 Form 10-K.

For financial statement purposes, we do not offset our reverse repurchase agreements, repurchase agreements, securities borrowing and securities lending transactions because the conditions for netting as specified by GAAP are not met. Our reverse repurchase agreements, repurchase agreements, securities borrowing and securities lending transactions are governed by master agreements that are widely used by counterparties and that may allow for net settlements of payments in the normal course, as well as offsetting of all contracts with a given counterparty in the event of bankruptcy or default of one of the parties to the transaction. Although not offset on the Condensed Consolidated Statements of Financial Condition, these transactions are included in the following table.

	Assets		Liabilities	
$ in millions	**Reverse repurchase agreements**	**Securities borrowed**	**Repurchase agreements**	**Securities loaned**
June 30, 2019				
Gross amounts of recognized assets/liabilities	**$ 411**	**$ 306**	**$ 165**	**$ 429**
Gross amounts offset on the Condensed Consolidated Statements of Financial Condition	**—**	**—**	**—**	**—**
Net amounts presented on the Condensed Consolidated Statements of Financial Condition	**411**	**306**	**165**	**429**
Gross amounts not offset on the Condensed Consolidated Statements of Financial Condition	**(411)**	**(301)**	**(165)**	**(419)**
Net amounts	**$ —**	**$ 5**	**$ —**	**$ 10**
September 30, 2018				
Gross amounts of recognized assets/liabilities	$ 373	$ 255	$ 186	$ 423
Gross amounts offset on the Condensed Consolidated Statements of Financial Condition	—	—	—	—
Net amounts presented on the Condensed Consolidated Statements of Financial Condition	373	255	186	423
Gross amounts not offset on the Condensed Consolidated Statements of Financial Condition	(373)	(248)	(186)	(408)
Net amounts	$ —	$ 7	$ —	$ 15

The required market value of the collateral associated with collateralized agreements and financings generally exceeds the amount financed. Accordingly, the total collateral received under reverse repurchase agreements and the total amount of collateral posted under repurchase agreements exceeds the carrying value of these agreements on our Condensed Consolidated Statements of Financial Condition. In the event the market value of the securities we pledge as collateral in these activities declines, we may have to post additional collateral or reduce the borrowing amounts. We monitor such levels daily.

Collateral received and pledged

We receive cash and securities as collateral, primarily in connection with reverse repurchase agreements, securities borrowed, derivative transactions and client margin loans. The collateral we receive reduces our credit exposure to individual counterparties.

In many cases, we are permitted to deliver or repledge financial instruments we have received as collateral in our repurchase agreements, securities lending agreements, other secured borrowings, satisfaction of deposit requirements with clearing organizations, or otherwise meeting either our or our clients' settlement requirements.

The following table presents financial instruments at fair value that we received as collateral, were not included on our Condensed Consolidated Statements of Financial Condition, and that were available to be delivered or repledged, along with the balances of such instruments that were delivered or repledged, to satisfy one of our purposes previously described.

$ in millions	**June 30, 2019**	September 30, 2018
Collateral we received that was available to be delivered or repledged	**$ 3,093**	$ 3,165
Collateral that we delivered or repledged	**$ 1,195**	$ 1,389

Encumbered assets

We pledge certain of our financial instruments to collateralize either repurchase agreements or other secured borrowings, maintain lines of credit, or to satisfy our collateral or settlement requirements with counterparties or clearing organizations who may or may not have the right to deliver or repledge such instruments. The following table presents information about the fair value of our assets that have been pledged for one of the purposes previously described.

$ in millions	June 30, 2019	September 30, 2018
Financial instruments owned, at fair value, pledged to counterparties that:		
Had the right to deliver or repledge	$ 597	$ 510
Did not have the right to deliver or repledge	$ 65	$ 65
Bank loans, net pledged at FHLB and the Federal Reserve Bank	$ 4,563	$ 4,075

Repurchase agreements, repurchase-to-maturity transactions and securities loaned accounted for as secured borrowings

The following table presents the remaining contractual maturity of repurchase agreements and securities lending transactions accounted for as secured borrowings.

$ in millions	Overnight and continuous	Up to 30 days	30-90 days	Greater than 90 days	Total
June 30, 2019					
Repurchase agreements:					
Government and agency obligations	$ 48	$ —	$ —	$ —	$ 48
Agency MBS and CMOs	117	—	—	—	117
Total repurchase agreements	165	—	—	—	165
Securities loaned:					
Equity securities	429	—	—	—	429
Total	$ 594	$ —	$ —	$ —	$ 594
September 30, 2018					
Repurchase agreements:					
Government and agency obligations	$ 102	$ —	$ —	$ —	$ 102
Agency MBS and CMOs	84	—	—	—	84
Total repurchase agreements	186	—	—	—	186
Securities loaned:					
Equity securities	423	—	—	—	423
Total	$ 609	$ —	$ —	$ —	$ 609

As of both June 30, 2019 and September 30, 2018, we did not have any "repurchase-to-maturity" agreements, which are repurchase agreements where a security is transferred under an agreement to repurchase and the maturity date of the repurchase agreement matches the maturity date of the underlying security.

NOTE 8 – BANK LOANS, NET

Bank client receivables are comprised of loans originated or purchased by RJ Bank and include commercial and industrial ("C&I") loans, tax-exempt loans, securities-based and other loans ("SBL and other"), and commercial and residential real estate loans. These receivables are collateralized by first and, to a lesser extent, second mortgages on residential or other real property, other assets of the borrower, a pledge of revenue or are unsecured. See Note 2 of our 2018 Form 10-K for a discussion of accounting policies related to bank loans and allowances for losses.

We segregate our loan portfolio into six loan portfolio segments: C&I, commercial real estate ("CRE"), CRE construction, tax-exempt, residential mortgage, and SBL and other. These portfolio segments also serve as the portfolio loan classes for purposes of credit analysis, except for residential mortgage loans which are further disaggregated into residential first mortgage and residential home equity classes.

The following table presents the balances for both the held for sale and held for investment loan portfolios, as well as the associated percentage of each portfolio segment in RJ Bank's total loan portfolio. "Loans held for sale, net" and "Total loans held for investment, net" in the following table are presented net of unearned income and deferred expenses, which include purchase premiums, purchase discounts and net deferred origination fees and costs.

	June 30, 2019		September 30, 2018	
$ in millions	**Balance**	**%**	Balance	%
Loans held for investment:				
C&I loans	**$ 8,401**	**40%**	$ 7,786	40%
CRE construction loans	**248**	**1%**	151	1%
CRE loans	**3,468**	**17%**	3,624	18%
Tax-exempt loans	**1,296**	**6%**	1,227	6%
Residential mortgage loans	**4,198**	**20%**	3,757	19%
SBL and other	**3,177**	**15%**	3,033	15%
Total loans held for investment	**20,788**		19,578	
Net unearned income and deferred expenses	**(16)**		(21)	
Total loans held for investment, net	**20,772**		19,557	
Loans held for sale, net	**134**	**1%**	164	1%
Total loans held for sale and investment	**20,906**	**100%**	19,721	100%
Allowance for loan losses	**(215)**		(203)	
Bank loans, net	**$ 20,691**		$ 19,518	

At June 30, 2019, the FHLB had a blanket lien on RJ Bank's residential mortgage loan portfolio as security for the repayment of certain borrowings. See Note 12 for more information regarding borrowings from the FHLB.

Loans held for sale

RJ Bank originated or purchased $522 million and $1.79 billion of loans held for sale during the three and nine months ended June 30, 2019, respectively, and $444 million and $1.13 billion during the three and nine months ended June 30, 2018 respectively. Proceeds from the sale of these held for sale loans amounted to $159 million and $516 million during the three and nine months ended June 30, 2019 and $166 million and $394 million during the three and nine months ended June 30, 2018, respectively. Net gains resulting from such sales were insignificant in all periods during the three and nine months ended June 30, 2019 and 2018.

Purchases and sales of loans held for investment

The following table presents purchases and sales of any loans held for investment by portfolio segment.

$ in millions	**C&I loans**	**CRE loans**	**Residential mortgage loans**	**Total**
Three months ended June 30, 2019				
Purchases	**$ 247**	**$ 10**	**$ 132**	**$ 389**
Sales	**$ 7**	**$ —**	**$ —**	**$ 7**
Nine months ended June 30, 2019				
Purchases	**$ 937**	**$ 35**	**$ 254**	**$ 1,226**
Sales	**$ 100**	**$ —**	**$ —**	**$ 100**
Three months ended June 30, 2018				
Purchases	$ 195	$ 82	$ 123	$ 400
Sales	$ 38	$ —	$ —	$ 38
Nine months ended June 30, 2018				
Purchases	$ 467	$ 145	$ 217	$ 829
Sales	$ 146	$ —	$ —	$ 146

Sales in the preceding table represent the recorded investment of loans held for investment that were transferred to loans held for sale and subsequently sold to a third party during the respective period. As more fully described in Note 2 of our 2018 Form 10-K, corporate loan (C&I, CRE and CRE construction) sales generally occur as part of our credit management activities.

Aging analysis of loans held for investment

The following table presents an analysis of the payment status of loans held for investment. Amounts in the table exclude any net unearned income and deferred expenses.

$ in millions	30-89 days and accruing	90 days or more and accruing	Total past due and accruing	Nonaccrual	Current and accruing	Total loans held for investment
June 30, 2019						
C&I loans	$ —	$ —	$ —	$ 22	$ 8,379	$ 8,401
CRE construction loans	—	—	—	—	248	248
CRE loans	—	—	—	10	3,458	3,468
Tax-exempt loans	—	—	—	—	1,296	1,296
Residential mortgage loans:						
First mortgage loans	1	5	6	16	4,148	4,170
Home equity loans/lines	—	—	—	—	28	28
SBL and other	—	—	—	—	3,177	3,177
Total loans held for investment	$ 1	$ 5	$ 6	$ 48	$ 20,734	$ 20,788
September 30, 2018						
C&I loans	$ —	$ —	$ —	$ 2	$ 7,784	$ 7,786
CRE construction loans	—	—	—	—	151	151
CRE loans	—	—	—	—	3,624	3,624
Tax-exempt loans	—	—	—	—	1,227	1,227
Residential mortgage loans:						
First mortgage loans	1	—	1	23	3,707	3,731
Home equity loans/lines	—	—	—	—	26	26
SBL and other	—	—	—	—	3,033	3,033
Total loans held for investment	$ 1	$ —	$ 1	$ 25	$ 19,552	$ 19,578

The preceding table includes $37 million and $11 million at June 30, 2019 and September 30, 2018, respectively, of nonaccrual loans which were current pursuant to their contractual terms.

Other real estate owned, included in "Other assets" on our Condensed Consolidated Statements of Financial Condition, was $3 million at both June 30, 2019 and September 30, 2018. The recorded investment in mortgage loans secured by one-to-four family residential properties for which formal foreclosure proceedings were in process was $8 million and $12 million at June 30, 2019 and September 30, 2018, respectively.

Impaired loans and troubled debt restructurings

The following table provides a summary of RJ Bank's impaired loans.

	June 30, 2019			September 30, 2018		
$ in millions	Gross recorded investment	Unpaid principal balance	Allowance for losses	Gross recorded investment	Unpaid principal balance	Allowance for losses
Impaired loans with allowance for loan losses:						
C&I loans	$ 19	$ 19	$ 4	$ —	$ —	$ —
Residential - first mortgage loans	11	14	1	15	20	2
Total	30	33	5	15	20	2
Impaired loans without allowance for loan losses:						
C&I loans	3	3	—	2	2	—
CRE loans	10	13	—	—	—	—
Residential - first mortgage loans	12	19	—	13	20	—
Total	25	35	—	15	22	—
Total impaired loans	$ 55	$ 68	$ 5	$ 30	$ 42	$ 2

Impaired loan balances with allowances for loan losses have had reserves established based upon management's analysis. There is no allowance required when the discounted cash flow, collateral value or market value of a loan equals or exceeds the carrying value. These are generally loans in process of foreclosure that have already been adjusted to fair value.

The preceding table includes troubled debt restructurings ("TDRs") of $10 million and $19 million related to CRE and residential first mortgage loans, respectively, at June 30, 2019 and $21 million of residential first mortgage TDRs at September 30, 2018.

The average balance of the total impaired loans was as follows.

	Three months ended June 30,		Nine months ended June 30,	
$ in millions	**2019**	2018	**2019**	2018
Average impaired loan balance:				
C&I loans	**$ 26**	$ 4	**$ 19**	$ 4
CRE loans	**10**	—	**4**	—
Residential - first mortgage loans	**24**	34	**25**	34
Total	**$ 60**	$ 38	**$ 48**	$ 38

Credit quality indicators

The credit quality of RJ Bank's loan portfolio is summarized monthly by management using the standard asset classification system utilized by bank regulators for the SBL and other and residential mortgage loan portfolios, and internal risk ratings, which correspond to the same standard asset classifications, for the corporate loan portfolios. These classifications are divided into three groups: Not Classified (Pass), Special Mention, and Classified or Adverse Rating (Substandard, Doubtful and Loss). These terms are defined as follows:

<u>Pass</u> – Loans which are well protected by the current net worth and paying capacity of the obligor (or guarantors, if any) or by the fair value, less costs to acquire and sell, of any underlying collateral in a timely manner.

<u>Special Mention</u> – Loans which have potential weaknesses that deserve management's close attention. These loans are not adversely classified and do not expose RJ Bank to sufficient risk to warrant an adverse classification.

<u>Substandard</u> – Loans which are inadequately protected by the current sound worth and paying capacity of the obligor or by the collateral pledged, if any. Loans with this classification are characterized by the distinct possibility that RJ Bank will sustain some loss if the deficiencies are not corrected.

<u>Doubtful</u> – Loans which have all the weaknesses inherent in loans classified as substandard with the added characteristic that the weaknesses make collection or liquidation in full highly questionable and improbable on the basis of currently-known facts, conditions and values.

<u>Loss</u> – Loans which are considered by management to be uncollectible and of such little value that their continuance on RJ Bank's books as an asset, without establishment of a specific valuation allowance or charge-off, is not warranted. RJ Bank does not have any loan balances within this classification because, in accordance with its accounting policy, loans, or a portion thereof considered to be uncollectible, are charged-off prior to the assignment of this classification.

The following table presents the credit quality of RJ Bank's held for investment loan portfolio.

$ in millions	Pass	Special mention	Substandard	Doubtful	Total
June 30, 2019					
C&I loans	**$ 8,296**	**$ 22**	**$ 83**	**$ —**	**$ 8,401**
CRE construction loans	**248**	**—**	**—**	**—**	**248**
CRE loans	**3,410**	**20**	**38**	**—**	**3,468**
Tax-exempt loans	**1,296**	**—**	**—**	**—**	**1,296**
Residential mortgage loans:					
First mortgage loans	**4,136**	**8**	**26**	**—**	**4,170**
Home equity loans/lines	**28**	**—**	**—**	**—**	**28**
SBL and other	**3,177**	**—**	**—**	**—**	**3,177**
Total	**$ 20,591**	**$ 50**	**$ 147**	**$ —**	**$ 20,788**
September 30, 2018					
C&I loans	$ 7,679	$ 48	$ 59	$ —	$ 7,786
CRE construction loans	140	11	—	—	151
CRE loans	3,547	44	33	—	3,624
Tax-exempt loans	1,227	—	—	—	1,227
Residential mortgage loans:					
First mortgage loans	3,693	8	30	—	3,731
Home equity loans/lines	26	—	—	—	26
SBL and other	3,033	—	—	—	3,033
Total	$ 19,345	$ 111	$ 122	$ —	$ 19,578

Loans classified as special mention, substandard or doubtful are all considered to be "criticized" loans.

Allowance for loan losses and reserve for unfunded lending commitments

The following table presents changes in the allowance for loan losses of RJ Bank by portfolio segment.

	Loans held for investment						
$ in millions	C&I loans	CRE construction loans	CRE loans	Tax-exempt loans	Residential mortgage loans	SBL and other	Total
Three months ended June 30, 2019							
Balance at beginning of period	**$ 140**	**$ 3**	**$ 45**	**$ 8**	**$ 17**	**$ 5**	**$ 218**
Provision/(benefit) for loan losses	**(8)**	**1**	**1**	**1**	**(1)**	**1**	**(5)**
Net (charge-offs)/recoveries:							
Charge-offs	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Recoveries	**1**	**—**	**—**	**—**	**—**	**—**	**1**
Net charge-offs	**1**	**—**	**—**	**—**	**—**	**—**	**1**
Foreign exchange translation adjustment	**1**		**—**	**—**	**—**	**—**	**1**
Balance at end of period	**$ 134**	**$ 4**	**$ 46**	**$ 9**	**$ 16**	**$ 6**	**$ 215**
Nine months ended June 30, 2019							
Balance at beginning of period	**$ 123**	**$ 3**	**$ 47**	**$ 9**	**$ 17**	**$ 4**	**$ 203**
Provision/(benefit) for loan losses	**13**	**1**	**2**	**—**	**(2)**	**2**	**16**
Net (charge-offs)/recoveries:							
Charge-offs	**(3)**	**—**	**(3)**	**—**		**—**	**(6)**
Recoveries	**1**	**—**	**—**	**—**	**1**	**—**	**2**
Net (charge-offs)/recoveries	**(2)**	**—**	**(3)**	**—**	**1**	**—**	**(4)**
Foreign exchange translation adjustment	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Balance at end of period	**$ 134**	**$ 4**	**$ 46**	**$ 9**	**$ 16**	**$ 6**	**$ 215**
Three months ended June 30, 2018							
Balance at beginning of period	$ 125	$ 2	$ 43	$ 8	$ 13	$ 4	$ 195
Provision/(benefit) for loan losses	2	1	2	—	1	(1)	5
Net (charge-offs)/recoveries:							
Charge-offs	(5)	—	—	—	—	—	(5)
Recoveries	—	—	—	—	1	—	1
Net (charge-offs)/recoveries	(5)	—	—	—	1	—	(4)
Foreign exchange translation adjustment	—	—	—	—	—	—	—
Balance at end of period	$ 122	$ 3	$ 45	$ 8	$ 15	$ 3	$ 196
Nine months ended June 30, 2018							
Balance at beginning of period	$ 120	$ 1	$ 42	$ 6	$ 17	$ 4	$ 190
Provision/(benefit) for loan losses	11	2	3	2	(3)	(1)	14
Net (charge-offs)/recoveries:							
Charge-offs	(9)	—	—	—	—	—	(9)
Recoveries	—	—	—	—	1	—	1
Net (charge-offs)/recoveries	(9)	—	—	—	1	—	(8)
Foreign exchange translation adjustment	—	—	—	—	—	—	—
Balance at end of period	$ 122	$ 3	$ 45	$ 8	$ 15	$ 3	$ 196

The following table presents, by loan portfolio segment, RJ Bank's recorded investment (excluding any net unearned income and deferred expenses) and the related allowance for loan losses.

	Loans held for investment					
	Allowance for loan losses			Recorded investment		
$ in millions	Individually evaluated for impairment	Collectively evaluated for impairment	Total	Individually evaluated for impairment	Collectively evaluated for impairment	Total
June 30, 2019						
C&I loans	**$ 4**	**$ 130**	**$ 134**	**$ 22**	**$ 8,379**	**$ 8,401**
CRE construction loans	**—**	**4**	**4**	**—**	**248**	**248**
CRE loans	**—**	**46**	**46**	**10**	**3,458**	**3,468**
Tax-exempt loans	**—**	**9**	**9**	**—**	**1,296**	**1,296**
Residential mortgage loans	**1**	**15**	**16**	**28**	**4,170**	**4,198**
SBL and other	**—**	**6**	**6**	**—**	**3,177**	**3,177**
Total	**$ 5**	**$ 210**	**$ 215**	**$ 60**	**$ 20,728**	**$ 20,788**
September 30, 2018						
C&I loans	$ —	$ 123	$ 123	$ 2	$ 7,784	$ 7,786
CRE construction loans	—	3	3	—	151	151
CRE loans	—	47	47	—	3,624	3,624
Tax-exempt loans	—	9	9	—	1,227	1,227
Residential mortgage loans	2	15	17	35	3,722	3,757
SBL and other	—	4	4	—	3,033	3,033
Total	$ 2	$ 201	$ 203	$ 37	$ 19,541	$ 19,578

The reserve for unfunded lending commitments, which is included in "Other payables" on our Condensed Consolidated Statements of Financial Condition, was $10 million at both June 30, 2019 and September 30, 2018.

NOTE 9 – VARIABLE INTEREST ENTITIES

A VIE requires consolidation by the entity's primary beneficiary. We evaluate all of the entities in which we are involved to determine if the entity is a VIE and if so, whether we hold a variable interest and are the primary beneficiary. Refer to Note 2 of our 2018 Form 10-K for a discussion of our principal involvement with VIEs and the accounting policies regarding determination of whether we are deemed to be the primary beneficiary of VIEs.

VIEs where we are the primary beneficiary

Of the VIEs in which we hold an interest, we have determined that certain limited partnerships which are part of our private equity investments portfolio ("Private Equity Interests"), a Low-Income Housing Tax Credit fund ("LIHTC fund") in which RJ Bank is an investor and an affiliate of Raymond James Tax Credit Funds, Inc. ("RJTCF") is the managing member, a multi-investor LIHTC fund where RJTCF provides an investor member with a guaranteed return on their investment ("Guaranteed LIHTC Fund"), certain other LIHTC funds and the trust we utilize in connection with restricted stock unit ("RSU") awards granted to certain employees of one of our Canadian subsidiaries (the "Restricted Stock Trust Fund") require consolidation in our financial statements, as we are deemed the primary beneficiary of such VIEs. The aggregate assets and liabilities of the VIEs we consolidate are provided in the following table. Aggregate assets and aggregate liabilities may differ from the consolidated carrying value of assets and liabilities due to the elimination of intercompany assets and liabilities held by the consolidated VIE.

$ in millions	Aggregate assets	Aggregate liabilities
June 30, 2019		
Private Equity Interests	**$ 69**	**$ 4**
LIHTC fund in which RJ Bank is an investor member	**61**	**—**
Guaranteed LIHTC Fund	**18**	**3**
Other LIHTC funds	**26**	**28**
Restricted Stock Trust Fund	**19**	**19**
Total	**$ 193**	**$ 54**
September 30, 2018		
Private Equity Interests	$ 67	$ 5
LIHTC fund in which RJ Bank is an investor member	53	—
Guaranteed LIHTC Fund	40	3
Other LIHTC funds	18	18
Restricted Stock Trust Fund	14	14
Total	$ 192	$ 40

See Note 14 of this Form 10-Q for additional information regarding the commitment related to the Guaranteed LIHTC Fund and Note 9 of our 2018 Form 10-K for information regarding the financing asset associated with this fund.

The following table presents information about the carrying value of the assets, liabilities and equity of the VIEs which we consolidate and which are included on our Condensed Consolidated Statements of Financial Condition. The noncontrolling interests presented in this table represent the portion of these net assets which are not ours.

$ in millions	**June 30, 2019**	September 30, 2018
Assets:		
Cash, cash equivalents and cash segregated pursuant to regulations	**$ 20**	$ 7
Intercompany and other receivables	**—**	1
Private equity investments	**62**	63
Investments in real estate partnerships held by consolidated variable interest entities	**69**	107
Trust fund investment in RJF common stock	**19**	14
Other assets	**23**	—
Total assets	**$ 193**	$ 192
Liabilities and equity:		
Other payables	**$ 29**	$ 27
Intercompany payables	**22**	17
Total liabilities	**51**	44
RJF equity	**79**	70
Noncontrolling interests	**63**	78
Total equity	**142**	148
Total liabilities and equity	**$ 193**	$ 192

The trust fund investment in RJF common stock in the preceding table relates to the Restricted Stock Trust Fund, which is included in "Treasury stock" on our Condensed Consolidated Statements of Financial Condition.

VIEs where we hold a variable interest but are not the primary beneficiary

As discussed in Note 2 of our 2018 Form 10-K, we have concluded that for certain VIEs we are not the primary beneficiary and therefore do not consolidate these VIEs. Such VIEs include certain Private Equity Interests, certain LIHTC funds, and other limited partnerships. Our risk of loss for these VIEs is limited to our investments in, advances to, and/or receivables due from these VIEs.

Aggregate assets, liabilities and risk of loss

The aggregate assets, liabilities, and our exposure to loss from those VIEs in which we hold a variable interest, but as to which we have concluded we are not the primary beneficiary, are provided in the following table.

	June 30, 2019			September 30, 2018		
$ in millions	**Aggregate assets**	**Aggregate liabilities**	**Our risk of loss**	Aggregate assets	Aggregate liabilities	Our risk of loss
Private Equity Interests	**$ 6,170**	**$ 155**	**$ 66**	$ 6,908	$ 154	$ 68
LIHTC funds	**5,776**	**2,167**	**62**	5,692	1,912	93
Other	**222**	**125**	**4**	211	114	4
Total	**$ 12,168**	**$ 2,447**	**$ 132**	$ 12,811	$ 2,180	$ 165

NOTE 10 - GOODWILL AND IDENTIFIABLE INTANGIBLE ASSETS, NET

Our goodwill and identified intangible assets result from various acquisitions. See Notes 2 and 12 of our 2018 Form 10-K for information about our goodwill and intangible assets, including the related accounting policies.

We had an addition to goodwill of $7 million during the three months ended June 30, 2019 due to our acquisition of Silver Lane. See Note 3 of this Form 10-Q for additional information regarding this acquisition.

We perform goodwill and indefinite-lived intangible asset impairment testing on an annual basis or when an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value or indicate that the asset is impaired. We performed our latest annual impairment testing for our goodwill and indefinite-lived intangible asset as of our January 1, 2019 evaluation date, evaluating balances as of December 31, 2018. We performed a qualitative impairment assessment for each of our reporting units that had goodwill, as well as for our indefinite-lived intangible asset.

Our qualitative assessments consider macroeconomic indicators, such as trends in equity and fixed income markets, GDP, unemployment rates, interest rates, housing markets and trade policy. We also consider regulatory changes, reporting unit specific results, and changes in key personnel and strategy. Changes in these indicators, and our ability to respond to such changes, may trigger the need for impairment testing at a point other than our annual assessment date. Based upon the outcome of our qualitative assessments, no impairment was identified. No events have occurred since our assessments that would cause us to update this impairment testing.

NOTE 11 – BANK DEPOSITS

Bank deposits include savings and money market accounts, certificates of deposit with RJ Bank, Negotiable Order of Withdrawal ("NOW") accounts and demand deposits. The following table presents a summary of bank deposits including the weighted-average rate, the calculation of which was based on the actual deposit balances at each respective period.

	June 30, 2019		September 30, 2018	
$ in millions	**Balance**	**Weighted-average rate**	Balance	Weighted-average rate
Savings and money market accounts	**$ 21,605**	**0.54%**	$ 19,475	0.54%
Certificates of deposit	**543**	**2.38%**	445	2.03%
NOW accounts	**6**	**0.01%**	6	0.01%
Demand deposits (non-interest-bearing)	**12**	**—**	16	—
Total bank deposits	**$ 22,166**	**0.58%**	$ 19,942	0.57%

Total bank deposits in the preceding table exclude affiliate deposits of $148 million at June 30, 2019 and $279 million at September 30, 2018. These affiliate deposits included $147 million at June 30, 2019 and $277 million at September 30, 2018, held in a deposit account at RJ Bank on behalf of RJF.

Savings and money market accounts in the preceding table consist primarily of deposits that are cash balances swept from the client investment accounts maintained at Raymond James & Associates, Inc. ("RJ&A") to RJ Bank. These balances are held in Federal Deposit Insurance Corporation ("FDIC") insured bank accounts through the Raymond James Bank Deposit Program ("RJBDP"). The aggregate amount of individual time deposit account balances that exceeded the FDIC insurance limit at June 30, 2019 was approximately $25 million.

The following table sets forth the scheduled maturities of certificates of deposit.

	June 30, 2019		September 30, 2018	
$ in millions	**Denominations greater than or equal to $100,000**	**Denominations less than $100,000**	Denominations greater than or equal to $100,000	Denominations less than $100,000
Three months or less	**$ 39**	**$ 26**	$ 30	$ 17
Over three through six months	**22**	**17**	20	13
Over six through twelve months	**47**	**32**	38	26
Over one through two years	**50**	**37**	65	40
Over two through three years	**30**	**73**	21	14
Over three through four years	**58**	**27**	44	26
Over four through five years	**56**	**29**	63	28
Total	**$ 302**	**$ 241**	$ 281	$ 164

Interest expense on deposits, excluding interest expense related to affiliate deposits, is summarized in the following table.

	Three months ended June 30,		**Nine months ended June 30,**	
$ in millions	**2019**	2018	**2019**	2018
Savings, money market, and NOW accounts	**$ 29**	$ 18	**$ 96**	$ 35
Certificates of deposit	**4**	1	**9**	4
Total interest expense on deposits	**$ 33**	$ 19	**$ 105**	$ 39

NOTE 12 – OTHER BORROWINGS

The following table details the components of other borrowings.

$ in millions	June 30, 2019	September 30, 2018
FHLB advances	**$ 875**	$ 875
Secured lines of credit	**50**	—
Mortgage notes payable and other	**20**	24
Total other borrowings	**$ 945**	$ 899

Borrowings from the FHLB as of June 30, 2019 and September 30, 2018, were comprised of both floating and fixed-rate advances. As of June 30, 2019 and September 30, 2018, the floating-rate advances, which have interest rates that reset quarterly, totaled $850 million. The floating-rate advances mature in December 2020. We use interest rate swaps to manage the risk of increases in interest rates associated with these floating-rate advances by converting the balances subject to variable interest rates to a fixed interest rate. Refer to Note 6 for information regarding these interest rate swaps, which are accounted for as hedging instruments. As of both June 30, 2019 and September 30, 2018, the fixed-rate advance totaled $25 million and bears interest at a fixed rate of 3.4%. This advance matures in October 2020. All of the advances were secured by a blanket lien granted to the FHLB on our residential mortgage loan portfolio. The weighted average interest rate on these FHLB advances as of June 30, 2019 and September 30, 2018 was 2.39% and 2.41%, respectively.

On February 19, 2019, RJF and RJ&A entered into an unsecured revolving credit facility agreement (the "Credit Facility") which replaced the previous unsecured revolving credit facility agreement (the "RJF Credit Facility") entered into by RJF. The Credit Facility has a maturity date of February 2024 and the lenders include a number of financial institutions. This committed unsecured borrowing facility provides for maximum borrowings of up to $500 million, with a sublimit of $300 million for RJF, at variable rates of interest. There were no borrowings outstanding on the Credit Facility as of June 30, 2019. There is a facility fee associated with the Credit Facility, which varies depending upon RJF's credit rating. Based upon RJF's credit rating as of June 30, 2019, the variable rate facility fee, which is applied to the committed amount, was 0.175% per annum.

The interest rates for all of our U.S. and Canadian secured and unsecured financing facilities are variable and are based on the Fed Funds rate, London Inter-bank Offered Rate ("LIBOR"), a lenders prime rate, or the Canadian prime rate, as applicable. The weighted average interest rate on the borrowings outstanding as of June 30, 2019 was 3.25%. Borrowings on secured lines of credit were day-to-day and were generally utilized to finance certain fixed income securities. In addition, we have other collateralized financings included in "Securities sold under agreements to repurchase" and "Securities loaned" on our Condensed Consolidated Statements of Financial Condition. See Note 7 for information regarding our collateralized financing arrangements.

Mortgage notes payable pertain to mortgage loans on certain of our corporate headquarters offices located in St. Petersburg, Florida. These mortgage loans are secured by land, buildings, and improvements. These mortgage loans bear a fixed interest rate of 5.7% with repayment terms of monthly interest and principal debt service and have a January 2023 maturity.

NOTE 13 – INCOME TAXES

The income tax provision for interim periods is comprised of tax on ordinary income provided at the most recent estimated annual effective tax rate, adjusted for the tax effect of discrete items. We estimate the annual effective tax rate quarterly based on the forecasted pretax results of our U.S. and non-U.S. operations. Items unrelated to current year ordinary income are recognized entirely in the period identified as a discrete item of tax. These discrete items generally relate to changes in tax laws, adjustments to the actual liability determined upon filing tax returns, excess tax benefits related to share-based compensation and adjustments to previously recorded reserves for uncertain tax positions. For discussion of income tax accounting policies and other income tax related information, see Notes 2 and 16 of our 2018 Form 10-K.

Effective tax rate

Our effective income tax rate was 25.1% for the nine months ended June 30, 2019, which was lower than the 34.8% effective tax rate for fiscal year 2018. The decrease in the current period effective income tax rate compared to fiscal year 2018's effective income tax rate was due to the prior year remeasurement of our deferred tax assets at a lower enacted federal corporate tax rate, which negatively impacted the prior year's effective income tax rate by 8.1%, as well as a decrease in the current year's federal tax rate from 24.5% to 21.0%.

Uncertain tax positions

We anticipate that the uncertain tax position liability balance will not change significantly over the next twelve months.

NOTE 14 – COMMITMENTS, CONTINGENCIES AND GUARANTEES

Commitments and contingencies

Loan and underwriting commitments

In the normal course of business, we enter into commitments for fixed income and equity underwritings. As of June 30, 2019, we had three such open underwriting commitments, which were subsequently settled in open market transactions and none of which resulted in a significant loss.

As part of our recruiting efforts, we offer loans to prospective financial advisors and certain key revenue producers primarily for recruiting, transitional cost assistance, and retention purposes (see Note 2 of our 2018 Form 10-K for a discussion of our accounting policies governing these transactions). These commitments are contingent upon certain events occurring, including, but not limited to, the individual joining us. As of June 30, 2019, we had made commitments through the extension of formal offers totaling approximately $214 million; however, it is possible that not all of our offers will be accepted and therefore, we would not fund the total amount of the offers extended. As of June 30, 2019, $128 million of the total amount extended consisted of unfunded commitments to prospective financial advisors that had accepted our offers, or recently hired producers.

Commitments to extend credit and other credit-related financial instruments

RJ Bank has outstanding at any time a significant number of commitments to extend credit and other credit-related off-balance sheet financial instruments such as standby letters of credit and loan purchases, which then extend over varying periods of time. These arrangements are subject to strict underwriting assessments and each customer's credit worthiness is evaluated on a case-by-case basis. Fixed-rate commitments are also subject to market risk resulting from fluctuations in interest rates and our exposure is limited to the replacement value of those commitments.

The following table presents RJ Bank's commitments to extend credit and other credit-related off-balance sheet financial instruments outstanding.

$ in millions	**June 30, 2019**	September 30, 2018
Open-end consumer lines of credit (primarily SBL)	**$ 8,766**	$ 7,332
Commercial lines of credit	**$ 1,567**	$ 1,643
Unfunded loan commitments	**$ 628**	$ 541
Standby letters of credit	**$ 40**	$ 41

Because many of our lending commitments expire without being funded in whole or part, the contractual amounts are not estimates of our actual future credit exposure or future liquidity requirements. We maintain a reserve to provide for potential losses related to the unfunded lending commitments. See Note 8 for further discussion of this reserve for unfunded lending commitments.

RJ&A enters into margin lending arrangements which allow customers to borrow against the value of qualifying securities. Margin loans are collateralized by the securities held in the customer's account at RJ&A. Collateral levels and established credit terms are monitored daily and we require customers to deposit additional collateral or reduce balances as necessary.

Investment commitments

RJ Bank has committed approximately $81 million as an investor member in a LIHTC fund which has invested in various project partnerships and in which a subsidiary of RJTCF is the managing member (see Note 2 of our 2018 Form 10-K for information regarding the accounting policies governing these investments). As of June 30, 2019, RJ Bank had invested $80 million of the committed amount.

We had unfunded commitments to various private equity investments of $15 million as of June 30, 2019.

Other commitments

RJF has committed an amount of up to $225 million, subject to certain limitations, to either lend to, or guarantee obligations of RJTCF in connection with RJTCF's low-income housing development/rehabilitation and syndication activities. At June 30, 2019, RJTCF had $96 million outstanding against this commitment. RJTCF may borrow from RJF in order to make investments in, or fund loans or advances to, either project partnerships that purchase and develop properties qualifying for tax credits or LIHTC funds. Investments in project partnerships are sold to various LIHTC funds, which have third-party investors, and for which RJTCF serves as the managing member or general partner. RJTCF typically sells investments in project partnerships to LIHTC funds within 90 days of their acquisition, and the proceeds from the sales are used to repay RJTCF's borrowings from RJF. RJTCF may also make short-term loans or advances to project partnerships and LIHTC funds.

As a part of our fixed income public finance operations, we enter into forward commitments to purchase agency MBS (see the discussion of these activities within Note 2 of our 2018 Form 10-K). At June 30, 2019, we had $301 million principal amount of outstanding forward MBS purchase commitments, which were expected to be purchased within 90 days following commitment. In order to hedge the market interest rate risk to which we would otherwise be exposed between the date of the commitment and the date of sale of the MBS, we enter into TBA security contracts with investors for generic MBS at specific rates and prices to be delivered on settlement dates in the future. We may be subject to loss if the timing of, or the actual amount of, the MBS differs significantly from the term and notional amount of the TBA security contract to which we entered. These TBA securities and related purchase commitments are accounted for at fair value. As of June 30, 2019, the fair value of the TBA securities and the estimated fair value of the purchase commitments were insignificant.

Guarantees

Our U.S. broker-dealer subsidiaries are required by federal law to be members of the Securities Investors Protection Corporation ("SIPC"). The SIPC fund provides protection up to $500 thousand per client for securities and cash held in client accounts, including a limitation of $250 thousand on claims for cash balances. We have purchased excess SIPC coverage through various syndicates of Lloyd's of London. For RJ&A, our clearing broker-dealer, the additional protection currently provided has an aggregate firm limit of $750 million for cash and securities, including a sub-limit of $1.9 million per client for cash above basic SIPC. Account protection applies when a SIPC member fails financially and is unable to meet obligations to clients. This coverage does not protect against market fluctuations. RJF has provided an indemnity to Lloyd's of London against any and all losses they may incur associated with the excess SIPC policies.

RJTCF has provided a guaranteed return on investment to a third-party investor in the Guaranteed LIHTC Fund and RJF has guaranteed RJTCF's performance under the arrangement. Under the terms of the performance guarantee, should the underlying LIHTC project partnerships held by the Guaranteed LIHTC Fund fail to deliver a certain amount of tax credits and other tax benefits to this investor over the next three years, RJTCF is obligated to pay the investor an amount that results in the investor achieving a minimum specified return on their investment. A $5 million financing asset was included in "Other assets," and a related $5 million liability was included in "Other payables" on our Condensed Consolidated Statements of Financial Condition as of June 30, 2019 related to this obligation. The maximum exposure to loss under this guarantee was $5 million at June 30, 2019, which represented the undiscounted future payments due the investor.

We guarantee the debt of one of our private equity investments. The amount of such debt, including the undrawn portion of a revolving credit facility, was $14 million as of June 30, 2019. The debt, which matures in 2021, is secured by substantially all of the assets of the borrower.

Legal and regulatory matter contingencies

In addition to any matters that may be specifically described in the following sections, in the normal course of our business, we have been named, from time to time, as a defendant in various legal actions, including arbitrations, class actions and other litigation, arising in connection with our activities as a diversified financial services institution.

RJF and certain of its subsidiaries are subject to regular reviews and inspections by regulatory authorities and self-regulatory organizations. Reviews can result in the imposition of sanctions for regulatory violations, ranging from non-monetary censures to fines and, in serious cases, temporary or permanent suspension from conducting business, or limitations on certain business activities. In addition, regulatory agencies and self-regulatory organizations institute investigations from time to time into industry practices, which can also result in the imposition of such sanctions.

We cannot predict if, how or when such proceedings or investigations will be resolved or what the eventual settlement, fine, penalty or other relief, if any, may be. A large number of factors may contribute to this inherent unpredictability: the proceeding is in its early stages; the damages sought are unspecified, unsupported or uncertain; it is unclear whether a case brought as a class action will be allowed to proceed on that basis; the other party is seeking relief other than or in addition to compensatory damages (including, in the case of regulatory and governmental proceedings, potential fines and penalties); the matters present significant legal uncertainties; we have not engaged in settlement discussions; discovery is not complete; there are significant facts in dispute; and numerous parties are named as defendants (including where it is uncertain how liability might be shared among defendants).

We contest liability and/or the amount of damages, as appropriate, in each pending matter. Over the last several years, the level of litigation and investigatory activity (both formal and informal) by government and self-regulatory agencies has increased significantly in the financial services industry. There can be no assurance that material losses will not be incurred from claims that have not yet been asserted or are not yet determined to be material.

We may from time to time include in any descriptions of individual matters herein certain quantitative information about the plaintiff's claim against us as alleged in the plaintiff's pleadings or other public filings. Although this information may provide insight into the potential magnitude of a matter, it does not represent our estimate of reasonably possible loss or our judgment as to any currently appropriate accrual related thereto.

Subject to the foregoing, we believe, after consultation with counsel and consideration of the accrued liability amounts included in the accompanying condensed consolidated financial statements, that the outcome of such litigation and regulatory proceedings will not have a material adverse effect on our consolidated financial condition. However, the outcome of such litigation and proceedings could be material to our operating results and cash flows for a particular future period, depending on, among other things, our revenues or income for such period.

With respect to legal and regulatory matters for which management has been able to estimate a range of reasonably possible loss as of June 30, 2019, we estimated the upper end of the range of reasonably possible aggregate loss to be approximately $85 million in excess of the aggregate reserves for such matters. Refer to Note 2 of our 2018 Form 10-K for a discussion of our criteria for recognizing liabilities for contingencies.

Legal matters

On February 17, 2015, Jyll Brink ("Brink") filed a putative class action complaint in the U.S. District Court for the Southern District of Florida (the "District Court") under the caption Jyll Brink v. Raymond James & Associates, Inc. (the "Brink Complaint"). The Brink Complaint alleges that Brink, a former customer of RJ&A, was charged a fee in her Passport Investment Account, and that the fee included an unauthorized and undisclosed profit to RJ&A in violation of its customer agreement and applicable industry standards. The Passport Investment Account is a fee-based account in which clients pay asset-based advisory fees and certain processing fees for ongoing investment advice and monitoring of securities holdings. The Brink Complaint seeks, among other relief, damages in the amount of the difference between the actual cost of processing a trade, as alleged by Brink, and the fee charged by RJ&A. On October 19, 2018, the District Court certified a class of former and current customers of RJ&A who executed a Passport Agreement and were charged processing fees during the period between February 17, 2010 and February 17, 2015.

On February 11, 2016, Caleb Wistar ("Wistar") and Ernest Mayeaux ("Mayeaux") filed a putative class action complaint in the District Court under the caption Caleb Wistar and Ernest Mayeaux v. Raymond James Financial Services, Inc. and Raymond James Financial Services Advisors, Inc. (as subsequently amended, the "Wistar Complaint"). Similar to the Brink Complaint, the Wistar Complaint alleges that Wistar and Mayeaux, former customers of Raymond James Financial Services, Inc. ("RJFS") and Raymond James Financial Services Advisors, Inc. ("RJFSA"), were charged a fee in RJFS and RJFSA's Passport Investment Account and that the fee included an unauthorized and undisclosed profit to RJFS and RJFSA in violation of its customer agreement and applicable industry standards. The Wistar Complaint seeks, among other relief, damages in the amount of the difference between the actual cost of processing a trade, as alleged by Wistar and Mayeaux, and the fee charge by RJFS and RJFSA.

On April 5, 2019, the parties to the Brink Complaint and the Wistar Complaint agreed in principle to an aggregate settlement of $15 million. On June 11, 2019, the parties filed a Stipulation of Settlement and Joint Motion for Preliminary Approval of Class Action Settlement and Certification of the Settled Subclasses. On June 12, 2019, the District Court entered an order preliminarily approving the Class Action Settlement and set a hearing date of October 25, 2019 for final approval of the settlement. While the hearing for final approval has been set, the settlement remains subject to approval by the District Court. The settlement amounts for both complaints were included in "Other payables" in our Condensed Consolidated Statement of Financial Condition as of June 30, 2019.

NOTE 15 – ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)

All of the components of OCI, net of tax, were attributable to RJF. The following table presents the net change in OCI as well as the changes, and the related tax effects, of each component of AOCI.

$ in millions	Net investment hedges	Currency translations	Subtotal: net investment hedges and currency translations	Available-for-sale securities	Cash flow hedges	Total
Three months ended June 30, 2019						
AOCI as of beginning of period	**$ 114**	**$ (142)**	**$ (28)**	**$ (9)**	**$ 12**	**$ (25)**
OCI:						
OCI before reclassifications and taxes	**(16)**	**18**	**2**	**32**	**(24)**	**10**
Amounts reclassified from AOCI, before tax	**—**	**—**	**—**	**—**	**(1)**	**(1)**
Pre-tax net OCI	**(16)**	**18**	**2**	**32**	**(25)**	**9**
Income tax effect	**4**	**—**	**4**	**(8)**	**6**	**2**
OCI for the period, net of tax	**(12)**	**18**	**6**	**24**	**(19)**	**11**
AOCI as of end of period	**$ 102**	**$ (124)**	**$ (22)**	**$ 15**	**$ (7)**	**$ (14)**
Nine months ended June 30, 2019						
AOCI as of beginning of period	**$ 88**	**$ (111)**	**$ (23)**	**$ (46)**	**$ 42**	**$ (27)**
Cumulative effect of adoption of ASU 2016-01	**—**	**—**	**—**	**(4)**	**—**	**(4)**
OCI:						
OCI before reclassifications and taxes	**18**	**(13)**	**5**	**90**	**(64)**	**31**
Amounts reclassified from AOCI, before tax	**—**	**—**	**—**	**—**	**(4)**	**(4)**
Pre-tax net OCI	**18**	**(13)**	**5**	**90**	**(68)**	**27**
Income tax effect	**(4)**	**—**	**(4)**	**(25)**	**19**	**(10)**
OCI for the period, net of tax	**14**	**(13)**	**1**	**65**	**(49)**	**17**
AOCI as of end of period	**$ 102**	**$ (124)**	**$ (22)**	**$ 15**	**$ (7)**	**$ (14)**
Three months ended June 30, 2018						
AOCI as of beginning of period	$ 85	$ (107)	$ (22)	$ (31)	$ 30	$ (23)
OCI:						
OCI before reclassifications and taxes	18	(19)	(1)	(5)	10	4
Amounts reclassified from AOCI, before tax	—	—	—	—	(1)	(1)
Pre-tax net OCI	18	(19)	(1)	(5)	9	3
Income tax effect	(5)	—	(5)	1	(3)	(7)
OCI for the period, net of tax	13	(19)	(6)	(4)	6	(4)
AOCI as of end of period	$ 98	$ (126)	$ (28)	$ (35)	$ 36	$ (27)
Nine months ended June 30, 2018						
AOCI as of beginning of period	$ 60	$ (80)	$ (20)	$ (2)	$ 7	$ (15)
Cumulative effect of adoption of ASU 2018-02	—	—	—	(2)	2	—
OCI:						
OCI before reclassifications and taxes	52	(46)	6	(45)	39	—
Amounts reclassified from AOCI, before tax	—	—	—	—	1	1
Pre-tax net OCI	52	(46)	6	(45)	40	1
Income tax effect	(14)	—	(14)	14	(13)	(13)
OCI for the period, net of tax	38	(46)	(8)	(31)	27	(12)
AOCI as of end of period	$ 98	$ (126)	$ (28)	$ (35)	$ 36	$ (27)

As of October 1, 2018, we adopted new accounting guidance related to the classification and measurement of financial instruments (ASU 2016-01), which generally requires changes in the fair value of equity securities to be recorded in net income. As a result, on a prospective basis beginning October 1, 2018, unrealized gains/(losses) on our equity securities previously classified and accounted for as available-for-sale are recorded in net income instead of OCI. Accordingly, we reclassified a cumulative unrealized gain on such securities, net of tax, from AOCI to retained earnings. See Notes 2 and 5 for additional information.

Reclassifications from AOCI to net income, excluding taxes, for each of the three and nine months ended June 30, 2019 and 2018 were recorded in "Interest expense" in the Condensed Consolidated Statements of Income and Comprehensive Income.

Our net investment hedges and cash flow hedges relate to our derivatives associated with RJ Bank's business operations (see Note 6 for additional information on these derivatives).

Our policy is to release tax effects remaining in AOCI on an individual security basis.

NOTE 16 – REVENUES

On October 1, 2018, we adopted new accounting guidance for revenue from contracts with customers. Under the new guidance, revenue is recognized when promised goods or services are delivered to our customers in an amount we expect to receive in exchange for those goods or services (i.e., the transaction price). Contracts with customers can include multiple services, which are accounted for as separate "performance obligations" if they are determined to be distinct. Our performance obligations to our customers are generally satisfied when we transfer the promised good or service to our customer, either at a point in time or over time. Revenue from a performance obligation transferred at a point in time is recognized at the time that the customer obtains control over the promised good or service. Revenue from our performance obligations satisfied over time are recognized in a manner that depicts our performance in transferring control of the good or service, which is generally measured based on time elapsed, as our customers simultaneously receive and consume the benefit of our services as they are provided.

Payment for the majority of our services is considered to be variable consideration, as the amount of revenues we expect to receive is subject to factors outside of our control, including market conditions. Variable consideration is only included in revenue when amounts are not subject to significant reversal, which is generally when uncertainty around the amount of revenue to be received is resolved.

We involve third parties in providing services to the customer for some of our contracts with customers. Under the new guidance, we are generally deemed to control the promised services before they are transferred to the customer. Accordingly, beginning with adoption of the new guidance, we present the related revenues gross of the related costs.

The following tables present our sources of revenues by segment. See Note 21 for additional information on our segment results.

	Three months ended June 30, 2019					
$ in millions	**Private Client Group**	**Capital Markets**	**Asset Management**	**RJ Bank**	**Other and intersegment eliminations**	**Total**
Revenues:						
Asset management and related administrative fees	$ 718	$ 2	$ 165	$ —	$ (6)	$ 879
Brokerage revenues:						
Securities commissions:						
Mutual and other fund products	147	1	2	—	—	150
Insurance and annuity products	105	—	—	—	—	105
Equities, ETFs and fixed income products	74	29	—	—	—	103
Subtotal securities commissions	326	30	2	—	—	358
Principal transactions [1]	20	74	—	—	(1)	93
Total brokerage revenues	346	104	2	—	(1)	451
Account and services fees:						
Mutual fund and annuity service fees	85	—	—	—	(1)	84
RJBDP fees	111	—	1	—	(46)	66
Client account and other fees	32	1	7	—	(7)	33
Total account and service fees	228	1	8	—	(54)	183
Investment banking:						
Equity underwriting	10	27	—	—	—	37
Merger & acquisition and advisory	—	78	—	—	—	78
Fixed income investment banking	—	24	—	—	—	24
Total investment banking	10	129	—	—	—	139
Other:						
Tax credit fund revenues	—	16	—	—	—	16
All other [1]	3	(1)	1	7	1	11
Total other	3	15	1	7	1	27
Total non-interest revenues	1,305	251	176	7	(60)	1,679
Interest income [1]	56	10	1	246	8	321
Total revenues	1,361	261	177	253	(52)	2,000
Interest expense	(10)	(10)	—	(38)	(15)	(73)
Net revenues	$ 1,351	$ 251	$ 177	$ 215	$ (67)	$ 1,927

	Three months ended June 30, 2018					
$ in millions	Private Client Group	Capital Markets	Asset Management	RJ Bank	Other and intersegment eliminations	Total
Revenues:						
Asset management and related administrative fees	$ 636	$ 1	$ 157	$ —	$ (4)	$ 790
Brokerage revenues:						
Securities commissions:						
Mutual and other fund products	172	2	3	—	(3)	174
Insurance and annuity products	97	—	—	—	—	97
Equities, ETFs and fixed income products	84	40	—	—	—	124
Subtotal securities commissions	353	42	3	—	(3)	395
Principal transactions [(1)]	22	52	—	—	(1)	73
Total brokerage revenues	375	94	3	—	(4)	468
Account and services fees:						
Mutual fund and annuity service fees	85	—	—	—	(2)	83
RJBDP fees	94	—	1	—	(24)	71
Client account and other fees	30	2	8	—	(7)	33
Total account and service fees	209	2	9	—	(33)	187
Investment banking:						
Equity underwriting	9	30	—	—	—	39
Merger & acquisition and advisory	—	85	—	—	—	85
Fixed income investment banking	—	21	—	—	—	21
Total investment banking	9	136	—	—	—	145
Other:						
Tax credit fund revenues	—	12	—	—	—	12
All other [(1)]	8	(2)	(1)	8	5	18
Total other	8	10	(1)	8	5	30
Total non-interest revenues	1,237	243	168	8	(36)	1,620
Interest income [(1)]	50	9	—	205	7	271
Total revenues	1,287	252	168	213	(29)	1,891
Interest expense	(8)	(9)	—	(25)	(12)	(54)
Net revenues	$ 1,279	$ 243	$ 168	$ 188	$ (41)	$ 1,837

	Nine Months Ended June 30, 2019					
$ in millions	**Private Client Group**	**Capital Markets**	**Asset Management**	**RJ Bank**	**Other and intersegment eliminations**	**Total**
Revenues:						
Asset management and related administrative fees	$ 2,063	$ 5	$ 475	$ —	$ (16)	$ 2,527
Brokerage revenues:						
Securities commissions:						
Mutual and other fund products	449	4	7	—	(2)	458
Insurance and annuity products	308	—	—	—	—	308
Equities, ETFs and fixed income products	232	99	—	—	(2)	329
Subtotal securities commissions	989	103	7	—	(4)	1,095
Principal transactions (1)	59	203	—	1	(1)	262
Total brokerage revenues	1,048	306	7	1	(5)	1,357
Account and services fees:						
Mutual fund and annuity service fees	250	—	2	—	(9)	243
RJBDP fees	342	—	3	—	(131)	214
Client account and other fees	92	3	22	—	(15)	102
Total account and service fees	684	3	27	—	(155)	559
Investment banking:						
Equity underwriting	25	72	—	—	—	97
Merger & acquisition and advisory	—	279	—	—	—	279
Fixed income investment banking	—	63	—	—	—	63
Total investment banking	25	414	—	—	—	439
Other:						
Tax credit fund revenues	—	49	—	—	—	49
All other (1)	19	1	1	19	6	46
Total other	19	50	1	19	6	95
Total non-interest revenues	3,839	778	510	20	(170)	4,977
Interest income (1)	170	29	3	732	27	961
Total revenues	4,009	807	513	752	(143)	5,938
Interest expense	(31)	(26)	—	(122)	(42)	(221)
Net revenues	$ 3,978	$ 781	$ 513	$ 630	$ (185)	$ 5,717

	Nine Months Ended June 30, 2018					
$ in millions	Private Client Group	Capital Markets	Asset Management	RJ Bank	Other and intersegment eliminations	Total
Revenues:						
Asset management and related administrative fees	$ 1,843	$ 6	$ 450	$ —	$ (12)	$ 2,287
Brokerage revenues:						
Securities commissions:						
Mutual and other fund products	535	6	9	—	(4)	546
Insurance and annuity products	308	—	—	—	—	308
Equities, ETFs and fixed income products	270	114	—	—	(2)	382
Subtotal securities commissions	1,113	120	9	—	(6)	1,236
Principal transactions [(1)]	62	193	—	1	(1)	255
Total brokerage revenues	1,175	313	9	1	(7)	1,491
Account and services fees:						
Mutual fund and annuity service fees	246	—	1	—	(6)	241
RJBDP fees	265	—	3	—	(67)	201
Client account and other fees	85	4	18	—	(14)	93
Total account and service fees	596	4	22	—	(87)	535
Investment banking:						
Equity underwriting	25	66	—	—	—	91
Merger & acquisition and advisory	—	200	—	—	—	200
Fixed income investment banking	—	58	—	—	—	58
Total investment banking	25	324	—	—	—	349
Other:						
Tax credit fund revenues	—	40	—	—	—	40
All other [(1)]	24	—	—	16	20	60
Total other	24	40	—	16	20	100
Total non-interest revenues	3,663	687	481	17	(86)	4,762
Interest income [(1)]	140	24	1	571	16	752
Total revenues	3,803	711	482	588	(70)	5,514
Interest expense	(19)	(21)	—	(56)	(43)	(139)
Net revenues	$ 3,784	$ 690	$ 482	$ 532	$ (113)	$ 5,375

(1) These revenues are generally not in scope of the new accounting guidance for revenue from contracts with customers.

Asset management and related administrative fees

We earn asset management and related administrative fees for performing asset management, investment advisory and related administrative services for retail and institutional clients. Such fees are generally calculated as a percentage of the value of assets in fee-based accounts under administration in our Private Client Group ("PCG") segment or the net asset value of institutional accounts, retail accounts we manage on behalf of third-party institutions or funds that we manage in our Asset Management segment. The value of these assets is impacted by market fluctuations and net inflows or outflows of assets. Fees are generally collected quarterly and are based on balances either at the beginning of the quarter, the end of the quarter, or average balances throughout the quarter. Asset management and related administrative fees are recognized on a monthly basis (i.e., over time) as the services are performed.

Revenues related to fee-based accounts under administration in PCG are shared by the PCG and Asset Management segments, the amount of which depends on whether clients are invested in assets that are overseen by our Asset Management segment (i.e., included in financial assets under management ("AUM") in the Asset Management segment) and the administrative services being provided. Asset management revenues earned for retail accounts managed on behalf of third-party institutions, institutional accounts or funds that we manage are recorded entirely in the Asset Management segment.

Brokerage revenues

Securities commissions

<u>Mutual and other fund products and insurance and annuity products</u>

We earn revenues for distribution and related support services performed related to mutual and other funds, fixed and variable annuities and insurance products. Depending on the product sold, we may receive an upfront fee for our services, a trailing commission, or some combination thereof. Upfront commissions received are generally based on a fixed rate applied, as a percentage, to amounts invested or the value of the contract at the time of sale and are recognized at the time of sale (or, in the case of insurance and annuity products, when the policy is accepted by the carrier). Trailing commissions are generally based on a fixed rate applied, as a percentage, to the net asset value of the fund, or the value of the insurance policy or annuity contract. Trailing commissions are generally received monthly or quarterly while our client holds the investment or holds the contract. As these trailing commissions are based on factors outside of our control, including market movements and client behavior (i.e., how long clients hold their investment, insurance policy or annuity contract), such revenue is recognized when it is probable that a significant reversal will not occur.

<u>Equities, exchange-traded funds (“ETFs”) and fixed income products</u>

We earn commissions for executing and clearing transactions for customers, primarily in listed and OTC equity securities, including ETFs, and options. Such revenues primarily arise from transactions for retail clients in our PCG segment, as well as services related to sales and trading activities transacted on an agency basis in our Capital Markets segment. Commissions are recognized on trade date, generally received from the customer on settlement date, and we record a receivable between the trade date and the date collected from the customer.

Principal transaction revenues

Principal transactions include revenues from customers’ purchases and sales of financial instruments, including fixed income and equity securities and derivatives, in which we transact on a principal basis. To facilitate such transactions, we carry inventories of financial instruments. The gains and losses on such inventories, both realized and unrealized, are reported as principal transactions revenues.

Account and service fees

Mutual fund and annuity service fees

We earn servicing fees for providing sales and marketing support to product partners and for supporting the availability and distribution of their products on our platforms. We also earn servicing fees from such partners for accounting and administrative services. These fees, which are received monthly or quarterly, are generally based on the market value of assets or number of positions in such programs or, in certain cases, are a fixed annual fee, and are recognized over time as the services are performed.

RJBDP fees

We earn servicing fees from various banks for administrative services we provide related to our clients’ deposits that are swept to such banks as part of RJBDP, our multi-bank sweep program. The amounts received from third-party banks are variable in nature and fluctuate based on client cash balances in the program, as well as the level of short-term interest rates relative to interest paid to clients on balances in the RJBDP. The fees are earned over time as the related administrative services are performed and are received monthly. Our PCG segment also earns servicing fees from RJ Bank, which are based on the number of accounts that are swept to RJ Bank. These fees are eliminated in consolidation.

Investment banking revenues

We earn revenue from investment banking transactions, including public and private equity and debt financing, merger & acquisition advisory services, and other advisory services. Underwriting revenues, which are typically deducted from the proceeds remitted to the issuer, are recognized on trade date if there is no uncertainty or contingency related to the amount to be paid. Fees from merger & acquisition and advisory assignments are generally recognized at the time the services related to the transaction are completed under the terms of the engagement. Fees for advisory services are typically received upfront, as non-refundable retainer fees, or as a success fee upon completion of a transaction. Expenses related to investment banking transactions are generally deferred until the related revenue is recognized or the assignment is otherwise concluded. Beginning October 1, 2018, such expenses have been included in “Professional fees” on our Condensed Consolidated Statements of Income and Comprehensive Income.

Impact of adoption

As a result of the adoption of the new accounting guidance, we have changed the presentation of certain costs from a net presentation within revenues to a gross presentation, particularly those related to merger & acquisition, advisory and underwriting transactions and certain administrative costs related to the RJBDP. As a result of this change, "Investment banking" and "Professional fees" were each $6 million higher for the three months ended June 30, 2019 and $16 million higher for the nine months ended June 30, 2019, and "Account and service fees" and "Other" expense were each $1 million higher for the three months ended June 30, 2019 and $5 million higher for the nine months ended June 30, 2019. These changes had no impact on pre-tax or net income.

Other items

At June 30, 2019 and September 30, 2018, net receivables related to contracts with customers were $340 million and $384 million, respectively.

We record deferred revenue from contracts with customers when payment is received prior to the performance of our obligation to the customer. Deferred revenue balances were not material as of June 30, 2019 and September 30, 2018.

We have elected the practical expedient allowable by the guidance to not disclose information about remaining performance obligations pertaining to contracts that have an original expected duration of one year or less.

NOTE 17 – INTEREST INCOME AND INTEREST EXPENSE

The following table details the components of interest income and interest expense.

	Three months ended June 30,		Nine months ended June 30,	
$ in millions	**2019**	2018	**2019**	2018
Interest income:				
Cash segregated pursuant to regulations	**$ 13**	$ 14	**$ 42**	$ 40
Trading instruments	**7**	7	**20**	17
Available-for-sale securities	**18**	14	**51**	37
Margin loans	**30**	28	**93**	77
Bank loans, net of unearned income	**221**	186	**655**	519
Loans to financial advisors	**5**	4	**14**	11
Corporate cash and all other	**27**	18	**86**	51
Total interest income	**$ 321**	$ 271	**$ 961**	$ 752
Interest expense:				
Bank deposits	**$ 33**	$ 19	**$ 105**	$ 39
Trading instruments sold but not yet purchased	**2**	2	**6**	5
Brokerage client payables	**5**	4	**16**	10
Other borrowings	**5**	6	**16**	17
Senior notes payable	**19**	19	**55**	55
Other	**9**	4	**23**	13
Total interest expense	**73**	54	**221**	139
Net interest income	**248**	217	**740**	613
Bank loan loss (provision)/benefit	**5**	(5)	**(16)**	(14)
Net interest income after bank loan loss (provision)/benefit	**$ 253**	$ 212	**$ 724**	$ 599

Interest expense related to bank deposits in the preceding table excludes interest expense associated with affiliate deposits, which has been eliminated in consolidation.

NOTE 18 – SHARE-BASED COMPENSATION

We have one share-based compensation plan for our employees, Board of Directors and non-employees (independent contractor financial advisors). Effective during the three months ended June 30, 2019, we generally reissue our treasury shares under The Amended and Restated 2012 Stock Incentive Plan; however, we are also permitted to issue new shares. Annual share-based compensation awards are primarily issued during the first fiscal quarter of each year. Our share-based compensation accounting policies are described in Note 2 of our 2018 Form 10-K. Other information related to our share-based awards is presented in Note 20 of our 2018 Form 10-K.

During the nine months ended June 30, 2019, we granted approximately 1.5 million RSUs to employees and outside members of our Board of Directors with a weighted-average grant-date fair value of $76.71. Grants for the three months ended June 30, 2019 were insignificant. For the three and nine months ended June 30, 2019, total compensation expense for restricted equity awards granted to our employees and members of our Board of Directors was $20 million and $81 million, respectively, compared with $19 million and $70 million, respectively, for the three and nine months ended June 30, 2018.

As of June 30, 2019, there were $164 million of total pre-tax compensation costs not yet recognized, net of estimated forfeitures, related to RSUs granted to employees and members of our Board of Directors. These costs are expected to be recognized over a weighted-average period of 3.0 years.

NOTE 19 – REGULATORY CAPITAL REQUIREMENTS

RJF, as a bank holding company and financial holding company, RJ Bank, and our broker-dealer subsidiaries are subject to capital requirements by various regulatory authorities. Capital levels of each entity are monitored to ensure compliance with our various regulatory capital requirements. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on our financial results.

As a bank holding company, RJF is subject to the risk-based capital requirements of the Fed. These risk-based capital requirements are expressed as capital ratios that compare measures of regulatory capital to risk-weighted assets, which involve quantitative measures of our assets, liabilities, and certain off-balance-sheet items as calculated under regulatory guidelines. RJF's and RJ Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk-weightings, and other factors.

RJF and RJ Bank are required to maintain minimum amounts and ratios of Total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), Tier 1 capital to average assets (as defined), and under rules defined under the Basel III standardized approach, Common equity Tier 1 capital ("CET1") to risk-weighted assets. RJF and RJ Bank each calculate these ratios in order to assess compliance with both regulatory requirements and their internal capital policies. The minimum CET1, Tier 1 capital, and Total capital ratios of RJF and RJ Bank are supplemented by a capital conservation buffer, consisting entirely of capital that qualifies as CET1, that became fully-phased in at 2.5% of risk-weighted assets on January 1, 2019. Failure to maintain the capital conservation buffer could limit our ability to take certain capital actions, including dividends and common equity repurchases, and to make discretionary bonus payments. As of June 30, 2019, both RJF's and RJ Bank's capital levels exceeded the capital conservation buffer requirement and were each categorized as "well capitalized."

For further discussion of regulatory capital requirements applicable to certain of our businesses and subsidiaries, see Note 21 of our 2018 Form 10-K.

To meet requirements for capital adequacy purposes or to be categorized as "well capitalized," RJF must maintain minimum CET1, Tier 1 capital, Total capital and Tier 1 leverage amounts and ratios as set forth in the following table.

	Actual		Requirement for capital adequacy purposes		To be well capitalized under regulatory provisions	
$ in millions	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
RJF as of June 30, 2019:						
CET1	**$ 5,854**	**24.2%**	**$ 1,089**	**4.5%**	**$ 1,572**	**6.5%**
Tier 1 capital	**$ 5,854**	**24.2%**	**$ 1,451**	**6.0%**	**$ 1,935**	**8.0%**
Total capital	**$ 6,089**	**25.2%**	**$ 1,935**	**8.0%**	**$ 2,419**	**10.0%**
Tier 1 leverage	**$ 5,854**	**15.7%**	**$ 1,496**	**4.0%**	**$ 1,870**	**5.0%**
RJF as of September 30, 2018:						
CET1	$ 5,718	24.3%	$ 1,057	4.5%	$ 1,527	6.5%
Tier 1 capital	$ 5,718	24.3%	$ 1,410	6.0%	$ 1,880	8.0%
Total capital	$ 5,941	25.3%	$ 1,880	8.0%	$ 2,350	10.0%
Tier 1 leverage	$ 5,718	15.8%	$ 1,451	4.0%	$ 1,814	5.0%

RJF's Tier 1 and Total capital ratios at June 30, 2019 decreased slightly compared to September 30, 2018, as the impacts of share repurchases and the growth of the bank loan portfolio during the nine months ended June 30, 2019 were offset by positive earnings during the current period.

To meet the requirements for capital adequacy or to be categorized as "well capitalized," RJ Bank must maintain CET1, Tier 1 capital, Total capital and Tier 1 leverage amounts and ratios as set forth in the following table.

	Actual		Requirement for capital adequacy purposes		To be well capitalized under regulatory provisions	
$ in millions	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
RJ Bank as of June 30, 2019:						
CET1	**$ 2,190**	**12.8%**	**$ 768**	**4.5%**	**$ 1,109**	**6.5%**
Tier 1 capital	**$ 2,190**	**12.8%**	**$ 1,024**	**6.0%**	**$ 1,365**	**8.0%**
Total capital	**$ 2,403**	**14.1%**	**$ 1,365**	**8.0%**	**$ 1,706**	**10.0%**
Tier 1 leverage	**$ 2,190**	**8.8%**	**$ 991**	**4.0%**	**$ 1,239**	**5.0%**
RJ Bank as of September 30, 2018:						
CET1	$ 2,029	12.7%	$ 721	4.5%	$ 1,042	6.5%
Tier 1 capital	$ 2,029	12.7%	$ 961	6.0%	$ 1,282	8.0%
Total capital	$ 2,229	13.9%	$ 1,282	8.0%	$ 1,602	10.0%
Tier 1 leverage	$ 2,029	8.8%	$ 926	4.0%	$ 1,158	5.0%

RJ Bank's Tier 1 and Total capital ratios at June 30, 2019 increased slightly compared to September 30, 2018 due to the impact of positive earnings during the current period, partially offset by growth of the bank loan portfolio.

Certain of our broker-dealer subsidiaries are subject to the requirements of the Uniform Net Capital Rule (Rule 15c3-1) under the Securities Exchange Act of 1934. The following table presents the net capital position of RJ&A.

$ in millions	**June 30, 2019**	September 30, 2018
Raymond James & Associates, Inc.:		
(Alternative Method elected)		
Net capital as a percent of aggregate debit items	**41.9%**	28.2%
Net capital	**$ 1,088**	$ 934
Less: required net capital	**(52)**	(66)
Excess net capital	**$ 1,036**	$ 868

As of June 30, 2019, all of our other active regulated domestic and international subsidiaries were in compliance with and exceeded all applicable capital requirements.

NOTE 20 – EARNINGS PER SHARE

The following table presents the computation of basic and diluted earnings per common share.

	Three months ended June 30,		Nine months ended June 30,	
in millions, except per share amounts	**2019**	2018	**2019**	2018
Income for basic earnings per common share:				
Net income attributable to RJF	**$ 259**	$ 232	**$ 769**	$ 594
Less allocation of earnings and dividends to participating securities	**(1)**	—	**(1)**	(1)
Net income attributable to RJF common shareholders	**$ 258**	$ 232	**$ 768**	$ 593
Income for diluted earnings per common share:				
Net income attributable to RJF	**$ 259**	$ 232	**$ 769**	$ 594
Less allocation of earnings and dividends to participating securities	**(1)**	—	**(1)**	(1)
Net income attributable to RJF common shareholders	**$ 258**	$ 232	**$ 768**	$ 593
Common shares:				
Average common shares in basic computation	**140.4**	145.6	**141.8**	145.2
Dilutive effect of outstanding stock options and certain RSUs	**3.2**	3.8	**3.0**	3.6
Average common shares used in diluted computation	**143.6**	149.4	**144.8**	148.8
Earnings per common share:				
Basic	**$ 1.84**	$ 1.59	**$ 5.42**	$ 4.08
Diluted	**$ 1.80**	$ 1.55	**$ 5.30**	$ 3.99
Stock options and certain RSUs excluded from weighted-average diluted common shares because their effect would be antidilutive	**0.2**	0.2	**0.5**	1.1

The allocation of earnings and dividends to participating securities in the preceding table represents dividends paid during the period to participating securities plus an allocation of undistributed earnings to participating securities. Participating securities represent unvested restricted stock and certain RSUs. Participating securities and related dividends paid on these participating securities were insignificant for the three and nine months ended June 30, 2019 and 2018. Undistributed earnings are allocated to participating securities based upon their right to share in earnings if all earnings for the period had been distributed.

Dividends per common share declared and paid are detailed in the following table for each respective period.

	Three months ended June 30,		Nine months ended June 30,	
	2019	2018	**2019**	2018
Dividends per common share - declared	**$ 0.34**	$ 0.30	**$ 1.02**	$ 0.80
Dividends per common share - paid	**$ 0.34**	$ 0.25	**$ 0.98**	$ 0.72

NOTE 21 – SEGMENT INFORMATION

We currently operate through the following five segments: PCG; Capital Markets; Asset Management; RJ Bank; and Other.

The business segments are determined based upon factors such as the services provided and the distribution channels served and are consistent with how we assess performance and determine how to allocate our resources throughout our subsidiaries. For a further discussion of our business segments, see Note 23 of our 2018 Form 10-K.

The following tables present information concerning operations in these segments of business.

	Three months ended June 30,		Nine months ended June 30,	
$ in millions	**2019**	2018	**2019**	2018
Revenues:				
Private Client Group	**$ 1,361**	$ 1,287	**$ 4,009**	$ 3,803
Capital Markets	**261**	252	**807**	711
Asset Management	**177**	168	**513**	482
RJ Bank	**253**	213	**752**	588
Other	**15**	16	**55**	53
Intersegment eliminations	**(67)**	(45)	**(198)**	(123)
Total revenues	**$ 2,000**	$ 1,891	**$ 5,938**	$ 5,514
Income/(loss) excluding noncontrolling interests and before provision for income taxes:				
Private Client Group	**$ 140**	$ 132	**$ 436**	$ 445
Capital Markets	**24**	22	**77**	43
Asset Management	**65**	58	**184**	171
RJ Bank	**138**	130	**384**	362
Other	**(25)**	(24)	**(60)**	(60)
Pre-tax income excluding noncontrolling interests	**342**	318	**1,021**	961
Net loss attributable to noncontrolling interests	**(2)**	—	**(16)**	—
Income including noncontrolling interests and before provision for income taxes	**$ 340**	$ 318	**$ 1,005**	$ 961

No individual client accounted for more than ten percent of total revenues in any of the periods presented.

	Three months ended June 30,		Nine months ended June 30,	
$ in millions	**2019**	2018	**2019**	2018
Net interest income/(expense):				
Private Client Group	**$ 46**	$ 42	**$ 139**	$ 121
Capital Markets	**—**	—	**3**	3
Asset Management	**1**	—	**3**	1
RJ Bank	**208**	180	**610**	515
Other and intersegment eliminations	**(7)**	(5)	**(15)**	(27)
Net interest income	**$ 248**	$ 217	**$ 740**	$ 613

The following table presents our total assets on a segment basis.

$ in millions	**June 30, 2019**	September 30, 2018
Total assets:		
Private Client Group	**$ 8,877**	$ 10,173
Capital Markets	**2,420**	2,279
Asset Management	**390**	387
RJ Bank	**25,501**	22,922
Other	**1,489**	1,652
Total	**$ 38,677**	$ 37,413

The following table presents goodwill, which was included in our total assets, on a segment basis.

$ in millions	**June 30, 2019**	September 30, 2018
Goodwill:		
Private Client Group	**$ 276**	$ 276
Capital Markets	**139**	133
Asset Management	**69**	69
Total	**$ 484**	$ 478

We have operations in the U.S., Canada and Europe. Substantially all long-lived assets are located in the U.S. The following table presents our revenues and income before provision for income taxes and excluding noncontrolling interests, classified by major geographic area in which they were earned.

	Three months ended June 30,		Nine months ended June 30,	
$ in millions	**2019**	2018	**2019**	2018
Revenues:				
U.S.	**$ 1,858**	$ 1,750	**$ 5,508**	$ 5,094
Canada	**110**	107	**321**	316
Europe	**32**	34	**109**	104
Total	**$ 2,000**	$ 1,891	**$ 5,938**	$ 5,514
Pre-tax income/(loss) excluding noncontrolling interests:				
U.S.	**$ 330**	$ 303	**$ 994**	$ 925
Canada	**12**	16	**35**	39
Europe (1)	**—**	(1)	**(8)**	(3)
Total	**$ 342**	$ 318	**$ 1,021**	$ 961

(1) The pre-tax loss in Europe for the nine months ended June 30, 2019 reflects a $15 million loss on the sale of our operations related to research, sales and trading of European equities incurred during the first fiscal quarter of 2019.

The following table presents our total assets by major geographic area in which they were held.

$ in millions	**June 30, 2019**	September 30, 2018
Total assets:		
U.S.	**$ 35,909**	$ 34,651
Canada	**2,673**	2,673
Europe	**95**	89
Total	**$ 38,677**	$ 37,413

The following table presents goodwill, which was included in our total assets, classified by major geographic area in which it was held.

$ in millions	**June 30, 2019**	September 30, 2018
Goodwill:		
U.S.	**$ 433**	$ 426
Canada	**42**	43
Europe	**9**	9
Total	**$ 484**	$ 478

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INDEX

Factors affecting "forward-looking statements"

Certain statements made in this Quarterly Report on Form 10-Q may constitute "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. Forward-looking statements include information concerning future strategic objectives, business prospects, anticipated savings, financial results (including expenses, earnings, liquidity, cash flow and capital expenditures), industry or market conditions, demand for and pricing of our products, acquisitions and divestitures, anticipated results of litigation, changes in tax rules and our effective tax rate, regulatory developments, effects of accounting pronouncements, and general economic conditions. In addition, words such as "believes," "expects," "anticipates," "intends," "plans," "estimates," "projects," "forecasts," and future or conditional verbs such as "will," "may," "could," "should," and "would," as well as any other statement that necessarily depends on future events, are intended to identify forward-looking statements. Forward-looking statements are not guarantees, and they involve risks, uncertainties and assumptions. Although we make such statements based on assumptions that we believe to be reasonable, there can be no assurance that actual results will not differ materially from those expressed in the forward-looking statements. We caution investors not to rely unduly on any forward-looking statements and urge you to carefully consider the risks described in our filings with the SEC from time to time, including our most recent Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q, which are available at www.raymondjames.com and the SEC's website at www.sec.gov. We expressly disclaim any obligation to update any forward-looking statement in the event it later turns out to be inaccurate, whether as a result of new information, future events or otherwise.

Introduction

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help the reader understand the results of our operations and financial condition. This MD&A is provided as a supplement to, and should be read in conjunction with, our condensed consolidated financial statements and accompanying notes to condensed consolidated financial statements. Where "NM" is used in various percentage change computations, the computed percentage change has been determined to be not meaningful.

We operate as a financial holding company and bank holding company. Results in the businesses in which we operate are highly correlated to general economic conditions and, more specifically, to the direction of the U.S. equity and fixed income markets, market volatility, corporate and mortgage lending markets and commercial and residential credit trends. Overall market conditions, interest rates, economic, political and regulatory trends, and industry competition are among the factors which could affect us and which are unpredictable and beyond our control. These factors affect the financial decisions made by market participants who include investors, borrowers, and competitors, impacting their level of participation in the financial markets. These factors also impact the level of investment banking activity and asset valuations, which ultimately affect our business results.

Executive overview

Quarter ended June 30, 2019 compared with the quarter ended June 30, 2018

Net revenues were $1.93 billion for the quarter, an increase of $90 million, or 5%. Pre-tax income of $342 million increased $24 million, or 8%. Our net income of $259 million increased $27 million, or 12%, and our earnings per diluted share were $1.80, reflecting a 16% increase. We generated an annualized return on equity for the quarter of 16.1%, compared with 15.4% in the prior year quarter. During the quarter, we repurchased approximately 1.04 million shares of common stock under our repurchase authorization by the Board of Directors (the "Board") for $85 million at an average price of approximately $81.70 per share. As of June 30, 2019, we had $373 million of availability remaining under this authorization.

The $90 million increase in net revenues primarily reflected higher asset management and related administrative fees and net interest income, partially offset by lower brokerage revenues. Total client assets under administration of $824.2 billion at June 30, 2019 increased $70 billion, or 9%, over the prior year, reflecting the net addition of financial advisors and equity market appreciation since the prior year quarter.

Non-interest expenses increased $68 million, or 4%. The increase primarily resulted from increased compensation-related expenses associated with the increase in net revenues, as well as increased staffing levels required to support our continued growth and regulatory compliance requirements.

A summary of our financial results by segment as compared to the prior year quarter is as follows:

- Our PCG segment generated net revenues of $1.35 billion, an increase of 6%, and pre-tax income also increased 6% to $140 million. The segment benefited from an increase in asset management and related administrative fees, primarily due to starting the quarter with higher assets in fee-based accounts compared to the balances at the beginning of the prior year quarter. Account and service fees also increased due to fees related to RJBDP, the majority of which related to an increase in the per-account servicing fee from RJ Bank effective October1, 2018 (which eliminates in consolidation). These increases were offset by a decline in brokerage revenues. Non-interest expenses increased $64 million, or 6%, primarily due to an increase in compensation-related expenses.

- Capital Markets net revenues of $251 million increased 3% and pre-tax income increased 9% to $24 million. The increase in net revenues was primarily due to an increase in fixed income brokerage revenues, partially offset by a decline in equity brokerage revenues and investment banking revenues. Non-interest expenses increased $4 million, or 2%, reflecting an increase in professional fees due to the gross-up of certain investment banking transaction-related expenses which were netted against revenues in previous years.

- Our Asset Management segment net revenues of $177 million increased 5% and pre-tax income increased 12% to $65 million. Financial assets under management of $143.1 billion increased 6% over the prior year quarter primarily due to equity market appreciation and positive inflows from clients moving to fee-based alternatives from traditional transaction-based accounts.

- RJ Bank net revenues of $215 million increased 14% and pre-tax income increased 6% to $138 million. The increase in net revenues resulted from an increase in net interest income due to growth in interest-earning assets and an increase in net interest margin, which was helped by higher short-term interest rates. Non-interest expenses increased $19 million, or 33%, largely due to the aforementioned increase in the per-account RJBDP servicing fee paid to PCG.

- Our Other segment reflected a pre-tax loss that was comparable to the loss generated in the prior year quarter, as a decrease in private equity gains compared to the prior year quarter was offset by an increase in interest income, which was positively impacted by an increase in interest rates earned on higher corporate cash balances.

<u>Nine months ended June 30, 2019 compared with the nine months ended June 30, 2018</u>

Net revenues of $5.72 billion increased $342 million, or 6%. Pre-tax income of $1.02 billion increased $60 million, or 6%. Our net income of $769 million increased $175 million, or 29%, compared with the prior year period, which included a loss of $117 million related to the Tax Cuts and Jobs Act ("Tax Act"), and our earnings per diluted share were $5.30, reflecting a 33% increase. We achieved an annualized return on equity during the nine months ended June 30, 2019 of 16.2%, compared with 13.6% for the prior year period.

Excluding a $15 million loss on the sale of our operations related to research, sales and trading of European equities in December 2018, adjusted net income was $784 million(1), an increase of 10% compared with adjusted net income of $714 million(1) for the prior year period. Adjusted earnings per diluted share were $5.41(1), a 13% increase compared with adjusted earnings per diluted share of $4.79(1) for the prior year period. Our adjusted annualized return on equity for the nine months ended June 30, 2019 was 16.4%(1), compared with adjusted annualized return on equity of 16.0%(1) for the prior year period.

The $342 million increase in net revenues compared with the prior year period reflected higher asset management and related administrative fees, net interest income and investment banking revenues. Partially offsetting these increases, brokerage revenues declined compared with the prior year period.

Non-interest expenses increased $298 million, or 7%. The increase primarily resulted from higher compensation-related expenses associated with the increase in net revenues, as well as increased staffing levels required to support our continued growth and regulatory compliance requirements. Other expenses were also higher, primarily related to losses on a consolidated tax credit fund, which were substantially offset in noncontrolling interests. Our acquisition and disposition-related expenses in the current year period included the aforementioned $15 million loss on the sale of our operations related to research, sales and trading of European equities.

Our effective income tax rate was 25.1% for the nine months ended June 30, 2019, reflecting a federal corporate statutory tax rate of 21% as result of the Tax Act enacted in December 2017. We estimate our effective income tax rate to be approximately 25-26% for fiscal year 2019. Our future effective income tax rate may be impacted positively or negatively by non-taxable items (such as the gains or losses earned on our company-owned life insurance and tax-exempt interest), non-deductible expenses (such as meals and entertainment and certain executive compensation) as well as vesting and exercises of equity compensation.

1) "Adjusted net income," "adjusted earnings per diluted share," and "adjusted annualized return on equity" are each non-GAAP financial measures. Please see the "Reconciliation of GAAP measures to non-GAAP measures" in this MD&A, for a reconciliation of our non-GAAP measures to the most directly comparable GAAP measures, and for other important disclosures.

During the nine months ended June 30, 2019, we repurchased 7.70 million shares of common stock under our Board repurchase authorization for $591 million at an average price of approximately $76.70 per share. As of June 30, 2019, we had $373 million of availability remaining under this authorization.

A summary of our financial results by segment as compared to the prior year period is as follows:

- Our PCG segment generated net revenues of $3.98 billion a 5% increase, while pre-tax income of $436 million decreased 2%. The increase in net revenues was primarily attributable to an increase in asset management and related administrative fees, primarily due to higher assets in fee-based accounts compared with the prior year period. The segment also benefited from an increase in account and service fees related to RJBDP, the majority of which related to an increase in the per-account servicing fee from RJ Bank. These increases were partially offset by a decline in brokerage revenues. Non-interest expenses increased $203 million, or 6%, primarily resulting from an increase in financial advisor compensation-related expenses in line with the growth in revenues. Non-compensation expenses also increased $26 million, or 6% over the prior year period.

- Capital Markets net revenues of $781 million increased 13% and pre-tax income increased significantly to $77 million. The increase in net revenues was primarily due to an increase in investment banking revenues, largely due to merger & acquisition activity. The decline in equity brokerage revenues was offset by an increase in fixed income brokerage revenues compared with the prior year period. Non-interest expenses increased $66 million, or 10%, primarily due to the aforementioned $15 million loss on the sale of our operations related to research, sales and trading of European equities, an increase in compensation-related expenses and an increase in professional fees due to the gross-up of certain investment banking transaction-related expenses, which were previously netted against revenues.

- Our Asset Management segment net revenues of $513 million increased 6% and pre-tax income increased 8% to $184 million. The increase in net revenues reflected increases in fees from managed programs, a full period of results for Scout Investments and its Reams Asset Management division (“the Scout Group”), which was acquired in November 2017, and higher asset-based administration fees. Non-interest expenses increased $22 million, or 7%, primarily resulting from increased expenses related to the addition of the Scout Group.

- RJ Bank net revenues increased 18% to $630 million and pre-tax income increased 6% to $384 million. The increase in net revenues primarily resulted from an increase in net interest income due to growth in interest-earning assets and an increase in net interest margin, lifted by higher short-term interest rates. Non-interest expenses increased $76 million, or 45%, primarily reflecting an increase in RJBDP servicing fees paid to PCG largely due to an increase in the per-account fee effective October 1, 2018.

- Our Other segment reflected a pre-tax loss that was flat compared to the prior year period, as lower gains on private equity investments were offset by an increase in interest income.

Segments

We currently operate through five segments. Our business segments are Private Client Group, Capital Markets, Asset Management and RJ Bank. Our Other segment includes our private equity investments as well as certain corporate overhead costs of RJF that are not allocated to business segments, including the interest costs on our public debt.

The following table presents our consolidated and segment net revenues and pre-tax income/(loss), the latter excluding noncontrolling interests, for the periods indicated.

	Three months ended June 30,			Nine months ended June 30,		
$ in millions	**2019**	2018	% change	**2019**	2018	% change
Total company						
Net revenues	**$ 1,927**	$ 1,837	5 %	**$ 5,717**	$ 5,375	6 %
Pre-tax income	**$ 342**	$ 318	8 %	**$ 1,021**	$ 961	6 %
Private Client Group						
Net revenues	**$ 1,351**	$ 1,279	6 %	**$ 3,978**	$ 3,784	5 %
Pre-tax income	**$ 140**	$ 132	6 %	**$ 436**	$ 445	(2)%
Capital Markets						
Net revenues	**$ 251**	$ 243	3 %	**$ 781**	$ 690	13 %
Pre-tax income	**$ 24**	$ 22	9 %	**$ 77**	$ 43	79 %
Asset Management						
Net revenues	**$ 177**	$ 168	5 %	**$ 513**	$ 482	6 %
Pre-tax income	**$ 65**	$ 58	12 %	**$ 184**	$ 171	8 %
RJ Bank						
Net revenues	**$ 215**	$ 188	14 %	**$ 630**	$ 532	18 %
Pre-tax income	**$ 138**	$ 130	6 %	**$ 384**	$ 362	6 %
Other						
Net revenues	**$ (4)**	$ (2)	(100)%	**$ (2)**	$ (3)	33 %
Pre-tax loss	**$ (25)**	$ (24)	(4)%	**$ (60)**	$ (60)	—
Intersegment eliminations						
Net revenues	**$ (63)**	$ (39)		**$ (183)**	$ (110)	

Reconciliation of GAAP measures to non-GAAP measures

We utilize certain non-GAAP measures to enhance the understanding of our financial results and related measures. We believe that the non-GAAP measures provide useful information by excluding certain material items that may not be indicative of our core operating results. We believe that these non-GAAP measures allow for better evaluation of the operating performance of the business and facilitate a meaningful comparison of our results in the current period to those in prior and future periods. In the following table, the tax effect of non-GAAP adjustments reflects the statutory tax rate associated with each non-GAAP item. These non-GAAP measures should be considered in addition to, not as a substitute for, measures of financial performance prepared in accordance with GAAP. In addition, our non-GAAP measures may not be comparable to similarly-titled non-GAAP measures of other companies. The following table provides a reconciliation of GAAP measures to non-GAAP measures for the periods which include non-GAAP adjustments. There were no non-GAAP adjustments for the three months ended June 30, 2019 and 2018.

	Nine months ended June 30,	
$ in millions, except per share amounts	**2019**	2018
Net income	**$ 769**	$ 594
Non-GAAP adjustments:		
Acquisition and disposition-related expenses	**15**	4
Tax effect of non-GAAP adjustments	**—**	(1)
Impact of the Tax Act	**—**	117
Total non-GAAP adjustments, net of tax	**15**	120
Adjusted net income	**$ 784**	$ 714
Less allocation of earnings and dividends to participating securities	**(1)**	(1)
Adjusted net income attributable to RJF common shareholders	**$ 783**	$ 713
Earnings per common share:		
Basic	**$ 5.42**	$ 4.08
Diluted	**$ 5.30**	$ 3.99
Adjusted basic	**$ 5.52**	$ 4.91
Adjusted diluted	**$ 5.41**	$ 4.79
Average equity	**$ 6,345**	$ 5,844
Annualized return on equity	**16.2%**	13.6%
Adjusted average equity	**$ 6,356**	$ 5,934
Adjusted annualized return on equity	**16.4%**	16.0%

Net income in the preceding table excludes noncontrolling interests.

Return on equity is computed by dividing annualized net income attributable to RJF for the period indicated by average equity attributable to RJF for each respective period or, in the case of adjusted return on equity, computed by dividing annualized adjusted net income attributable to RJF by adjusted average equity attributable to RJF for each respective period.

Average equity for the year to date is computed by adding the total equity attributable to RJF as of each quarter-end to the beginning of the year total, and dividing by four. Adjusted average equity is computed by adjusting for the impact on average equity of the non-GAAP adjustments, as applicable for each respective period.

For more information on acquisition and disposition-related expenses, see “Results of Operations - Capital Markets” and “Results of Operations - Other” of this MD&A. For more information on the impact of the Tax Act, see Note 16 of our 2018 Form 10-K.

Net interest analysis

The Federal Reserve Bank announced an increase of 25 basis points in its benchmark short-term interest rate in December 2018, as it did in each of the quarters in fiscal year 2018 and three of the quarters in fiscal year 2017. These increases in short-term interest rates have had a significant impact on our overall financial performance, as we have certain assets and liabilities, primarily held in our PCG and RJ Bank segments, which are sensitive to changes in interest rates. Given the relationship of our interest-sensitive assets to liabilities held in each of these segments, increases in short-term interest rates generally result in an overall increase in our net earnings, although the magnitude of the impact to our net interest margin depends on the yields on interest-earning assets relative to the cost of interest-bearing liabilities, including deposit rates paid to clients on their cash balances. Conversely, any decreases in short-term interest rates and/or increases in the deposit rates paid to clients would likely have a negative impact on our earnings. Effective May 6, 2019, we modified our methodology for crediting interest on client cash balances, changing the basis from total relationship assets at the firm to total relationship cash balances at the firm. Accordingly, although the crediting schedule was revised upward on that date, we did not experience a corresponding increase in cost to the firm.

Refer to the discussion of the specific components of our net interest income within the “Management’s Discussion and Analysis of Financial Condition - Results of Operations” of our PCG, RJ Bank, and Other segments.

Quarter ended June 30, 2019 compared with the quarter ended June 30, 2018

The following table presents our consolidated average balances, interest income and expense and the related yields and rates. Average balances are calculated on a daily basis, with the exception of Loans to financial advisors, net and Corporate cash and all other, which are calculated based on the average of the end-of-month balances for each month within the period.

	Three months ended June 30,					
	2019			2018		
$ in millions	**Average balance**	**Interest inc./exp.**	**Average yield/cost**	Average balance	Interest inc./exp.	Average yield/cost
Interest-earning assets:						
Assets segregated pursuant to regulations	**$ 1,613**	**$ 13**	**3.22%**	$ 2,438	$ 14	2.22%
Trading instruments	**771**	**7**	**3.53%**	760	7	3.68%
Available-for-sale securities	**2,901**	**18**	**2.41%**	2,534	14	2.11%
Margin loans	**2,531**	**30**	**4.74%**	2,688	28	4.23%
Bank loans, net:						
Loans held for investment:						
C&I loans	**8,278**	**98**	**4.68%**	7,647	85	4.40%
CRE construction loans	**248**	**4**	**5.45%**	182	2	5.23%
CRE loans	**3,359**	**39**	**4.53%**	3,259	34	4.15%
Tax-exempt loans	**1,291**	**9**	**2.79%**	1,191	8	2.58%
Residential mortgage loans	**4,127**	**34**	**3.32%**	3,514	27	3.10%
SBL and other	**3,125**	**36**	**4.64%**	2,741	29	4.26%
Loans held for sale	**118**	**1**	**4.78%**	109	1	4.34%
Total bank loans, net	**20,546**	**221**	**4.30%**	18,643	186	4.04%
Loans to financial advisors, net	**912**	**5**	**2.06%**	895	4	1.70%
Corporate cash and all other	**4,107**	**27**	**2.72%**	3,518	18	2.05%
Total interest-earning assets	**$ 33,381**	**$ 321**	**3.85%**	$ 31,476	$ 271	3.44%
Interest-bearing liabilities:						
Bank deposits:						
Certificates of deposit	**$ 561**	**$ 4**	**2.33%**	$ 389	$ 1	1.64%
Savings, money market and NOW accounts	**20,842**	**29**	**0.56%**	18,423	18	0.37%
Trading instruments sold but not yet purchased	**307**	**2**	**2.39%**	294	2	2.72%
Brokerage client payables	**3,108**	**5**	**0.64%**	4,061	4	0.44%
Other borrowings	**897**	**5**	**2.20%**	901	6	2.32%
Senior notes payable	**1,550**	**19**	**4.71%**	1,549	19	4.69%
Other	**772**	**9**	**4.93%**	595	4	2.69%
Total interest-bearing liabilities	**$ 28,037**	**$ 73**	**1.04%**	$ 26,212	$ 54	0.82%
Net interest income		**$ 248**			$ 217	

Nonaccrual loans are included in the average loan balances in the preceding table. Payment or income received on corporate nonaccrual loans are applied to principal. Income on residential mortgage nonaccrual loans is recognized on a cash basis.

Fee income on bank loans included in interest income for the three months ended June 30, 2019 and 2018 was $3 million and $6 million, respectively.

Nine months ended June 30, 2019 compared with the nine months ended June 30, 2018

The following table presents our consolidated average balances, interest income and expense and the related yields and rates. Average balances are calculated on a daily basis, with the exception of Loans to financial advisors, net and Corporate cash and all other, which are calculated based on the average of the end-of-month balances for each month within the period.

	Nine months ended June 30,					
	2019			2018		
$ in millions	**Average balance**	**Interest inc./exp.**	**Average yield/cost**	Average balance	Interest inc./exp.	Average yield/cost
Interest-earning assets:						
Assets segregated pursuant to regulations	**$ 1,859**	**$ 42**	**3.01%**	$ 2,752	$ 40	1.92%
Trading instruments	**727**	**20**	**3.66%**	702	17	3.23%
Available-for-sale securities	**2,831**	**51**	**2.39%**	2,358	37	2.09%
Margin loans	**2,620**	**93**	**4.73%**	2,559	77	4.03%
Bank loans:						
Loans held for investment:						
C&I loans	**8,065**	**286**	**4.67%**	7,538	237	4.15%
CRE construction loans	**205**	**9**	**5.58%**	166	6	5.03%
CRE loans	**3,433**	**120**	**4.60%**	3,160	95	3.97%
Tax-exempt loans	**1,285**	**26**	**2.70%**	1,126	22	2.57%
Residential mortgage loans	**3,999**	**100**	**3.32%**	3,363	78	3.08%
SBL and other	**3,098**	**109**	**4.64%**	2,594	78	3.98%
Loans held for sale	**149**	**5**	**4.87%**	123	3	3.83%
Total bank loans, net	**20,234**	**655**	**4.32%**	18,070	519	3.85%
Loans to financial advisors, net	**907**	**14**	**2.00%**	873	11	1.68%
Corporate cash and all other	**4,674**	**86**	**2.50%**	3,882	51	1.75%
Total interest-earning assets	**$ 33,852**	**$ 961**	**3.79%**	$ 31,196	$ 752	3.21%
Interest-bearing liabilities:						
Bank deposits:						
Certificates of deposit	**$ 527**	**$ 9**	**2.20%**	$ 353	$ 4	1.60%
Savings, money market and NOW accounts	**20,689**	**96**	**0.62%**	18,193	35	0.25%
Trading instruments sold but not yet purchased	**297**	**6**	**2.63%**	282	5	2.36%
Brokerage client payables	**3,430**	**16**	**0.62%**	4,289	10	0.32%
Other borrowings	**942**	**16**	**2.32%**	919	17	2.40%
Senior notes payable	**1,550**	**55**	**4.70%**	1,549	55	4.69%
Other	**759**	**23**	**3.95%**	591	13	2.93%
Total interest-bearing liabilities	**$ 28,194**	**$ 221**	**1.05%**	$ 26,176	$ 139	0.71%
Net interest income		**$ 740**			$ 613	

Nonaccrual loans are included in the average loan balances in the preceding table. Payment or income received on corporate nonaccrual loans are applied to principal. Income on residential mortgage nonaccrual loans is recognized on a cash basis.

Fee income on bank loans included in interest income for the nine months ended June 30, 2019 and 2018 was $14 million and $19 million, respectively.

Results of Operations – Private Client Group

For an overview of our PCG segment operations, as well as a description of the key factors impacting our PCG results of operations, refer to the information presented in "Item 1 - Business" and "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations" of our 2018 Form 10-K.

Operating results

	Three months ended June 30,			Nine months ended June 30,		
$ in millions	**2019**	2018	**% change**	**2019**	2018	**% change**
Revenues:						
Asset management and related administrative fees	**$ 718**	$ 636	13 %	**$ 2,063**	$ 1,843	12 %
Brokerage revenues:						
Mutual and other fund products	**147**	172	(15)%	**449**	535	(16)%
Insurance and annuity products	**105**	97	8 %	**308**	308	—
Equities, ETFs and fixed income products	**94**	106	(11)%	**291**	332	(12)%
Total brokerage revenues	**346**	375	(8)%	**1,048**	1,175	(11)%
Investment banking	**10**	9	11 %	**25**	25	—
Interest income	**56**	50	12 %	**170**	140	21 %
Account and service fees:						
Mutual fund and annuity service fees	**85**	85	—	**250**	246	2 %
RJBDP fees:						
Third-party banks	**67**	70	(4)%	**215**	198	9 %
RJ Bank	**44**	24	83 %	**127**	67	90 %
Client account and other fees	**32**	30	7 %	**92**	85	8 %
Total account and service fees	**228**	209	9 %	**684**	596	15 %
All other	**3**	8	(63)%	**19**	24	(21)%
Total revenues	**1,361**	1,287	6 %	**4,009**	3,803	5 %
Interest expense	**(10)**	(8)	25 %	**(31)**	(19)	63 %
Net revenues	**1,351**	1,279	6 %	**3,978**	3,784	5 %
Non-interest expenses:						
Financial advisor compensation and benefit costs	**805**	759	6 %	**2,358**	2,258	4 %
Administrative compensation and benefit costs	**237**	214	11 %	**700**	623	12 %
Communications and information processing	**57**	55	4 %	**174**	164	6 %
Occupancy and equipment costs	**43**	38	13 %	**122**	114	7 %
Business development	**37**	39	(5)%	**90**	84	7 %
Professional fees	**8**	12	(33)%	**24**	29	(17)%
All other	**24**	30	(20)%	**74**	67	10 %
Total non-interest expenses	**1,211**	1,147	6 %	**3,542**	3,339	6 %
Pre-tax income	**$ 140**	$ 132	6 %	**$ 436**	$ 445	(2)%
Pre-tax margin on net revenues	**10.4%**	10.3%		**11.0%**	11.8%	

Selected key metrics

PCG client asset balances:

	As of					
$ in billions	**June 30, 2019**	March 31, 2019	September 30, 2018	June 30, 2018	March 31, 2018	September 30, 2017
Assets under administration ("AUA")	**$ 787.4**	$ 760.0	$ 755.7	$ 719.5	$ 694.8	$ 659.5
Assets in fee-based accounts (1)	**$ 398.0**	$ 378.4	$ 366.3	$ 343.1	$ 325.1	$ 294.5
Percent of AUA in fee-based accounts	**50.5%**	49.8%	48.5%	47.7%	46.8%	44.7%

(1) A portion of our "Assets in fee-based accounts" is overseen by our Asset Management segment, specifically our Asset Management Services division of RJ&A ("AMS"). These assets are included in our Financial assets under management as disclosed in the "Selected key metrics" section of our "Management's Discussion and Analysis - Results of Operations - Asset Management."

Fee-based accounts within our PCG segment are comprised of a wide array of products and programs that we offer our clients. The majority of assets in fee-based accounts within our PCG segment are invested in programs for which our financial advisors provide investment advisory services, either on a discretionary or non-discretionary basis. Administrative services for such accounts (e.g., record-keeping) are generally performed by our Asset Management segment and, as a result, a portion of the related revenues is shared with the Asset Management segment.

We also offer our clients fee-based accounts that are invested in "managed programs" overseen by AMS, which is part of our Asset Management segment. Fee-billable assets invested in managed programs are included in both "Assets in fee-based accounts" in the preceding table and "Financial assets under management" in the Asset Management segment. Revenues related to managed programs are shared by our PCG and Asset Management segments. The Asset Management segment receives a higher portion of the revenues related to accounts invested in managed programs as it is performing asset management services in addition to administrative services.

We earn revenues from fee-based accounts for performing investment advisory, asset management and related administrative services for retail clients, which is recorded in "Asset management and related administrative fees" in our Condensed Consolidated Statements of Income and Comprehensive Income. Fees received from such accounts are based on the value of client assets in fee-based accounts and vary based on the specific account types in which the client participates and the level of assets in the client relationship. As fees for substantially all of such accounts are billed based on balances as of the beginning of the quarter, revenues from fee-based accounts may not be immediately impacted by changes in asset values, but rather the impacts are seen in the following quarter.

PCG assets under administration increased due to the net addition of financial advisors and equity market appreciation. In addition, PCG assets in fee-based accounts continued to increase as a percentage of overall PCG assets under administration due to clients' preference for fee-based alternatives versus traditional transaction-based accounts. As a result of the shift to fee-based accounts, a larger portion of our PCG revenues are more directly impacted by market movements.

Financial advisors:

	June 30, 2019	September 30, 2018	June 30, 2018
Employees	**3,228**	3,167	3,126
Independent Contractors	**4,676**	4,646	4,593
Total advisors	**7,904**	7,813	7,719

The number of financial advisors increased primarily due to continued financial advisor recruiting and high levels of retention.

Clients' domestic cash sweep balances:

	As of				
$ in millions	**June 30, 2019**	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018
RJBDP					
RJ Bank	**$ 21,600**	$ 21,023	$ 21,138	$ 19,446	$ 19,014
Third-party banks	**14,425**	14,343	18,320	15,564	16,971
Subtotal RJBDP	**36,025**	35,366	39,458	35,010	35,985
Money market funds	**—**	4,001	4,436	3,240	2,687
Client Interest Program ("CIP")	**2,130**	2,349	2,935	2,807	2,784
Total clients' domestic cash sweep balances	**$ 38,155**	$ 41,716	$ 46,829	$ 41,057	$ 41,456

A significant portion of our clients' cash is included in our RJBDP, a multi-bank sweep program in which clients' cash deposits in their accounts are swept into interest-bearing deposit accounts at RJ Bank and various third-party banks. We earn servicing fees for the administrative services we provide related to our clients' deposits that are swept to such banks as part of the RJBDP. The amounts from third-party banks are variable in nature and fluctuate based on client cash balances in the program, as well as the level of short-term interest rates relative to interest paid to clients on balances in the RJBDP. The PCG segment also earns RJBDP servicing fees from RJ Bank, which are based on the number of accounts that are swept to RJ Bank. The fees from RJ Bank are eliminated in consolidation. On October 1, 2018, the per-account servicing fee from RJ Bank was increased to reflect the current cost of administration.

While short-term interest rates have risen due to rate increases by the Fed in recent periods, market deposit rates paid on client cash balances have not been impacted to as great a degree, resulting in an increase in RJBDP fees earned from third-party banks. Any decreases in short-term interest rates, such as the one announced by the Fed in July 2019, increases in deposit rates paid to clients, and/or a significant decline in our clients' cash balances would likely have a negative impact on our earnings. The impact on our earnings of any future rate increases will be largely dependent upon the change in the deposit rate paid on client cash balances. Further, PCG segment results are impacted by changes in the allocation of client cash balances in RJBDP between RJ Bank and third-party banks.

Money market funds were discontinued as a sweep option during the three months ended June 30, 2019. Balances in those funds were converted to RJBDP or reinvested by the client.

<u>Quarter ended June 30, 2019 compared with the quarter ended June 30, 2018</u>

Net revenues of $1.35 billion increased $72 million, or 6%, over the prior year quarter, and pre-tax income of $140 million increased $8 million, or 6%.

Asset management and related administrative fees increased $82 million, or 13%, resulting from the 16% increase in assets in fee-based accounts as of March 31, 2019 compared with March 31, 2018, reflecting successful financial advisor recruiting and retention, as well as equity market appreciation.

Brokerage revenues decreased $29 million, or 8%, reflecting lower revenues related to mutual funds, largely due to a continued shift to fee-based accounts.

Total account and service fees increased $19 million, or 9%, primarily due to higher RJBDP fees from RJ Bank due to an increase in the per-account servicing fee and, to a lesser extent, an increase in the number of accounts partially due to the discontinuation of the money market funds as a sweep option discussed above.

Net interest income increased $4 million, or 10%, driven by an increase in interest income from client margin loans due to the increase in short-term interest rates. Offsetting the increase in interest income, interest expense also increased due to the impact of higher interest rates paid on client cash balances in CIP.

Non-interest expenses increased $64 million, or 6%, including an increase in compensation-related expenses due to higher net revenues as well as increased staffing levels to support our continued growth and regulatory compliance requirements.

<u>Nine months ended June 30, 2019 compared with the nine months ended June 30, 2018</u>

Net revenues of $3.98 billion increased $194 million, or 5%, while pre-tax income of $436 million decreased $9 million, or 2%.

Asset management and related administrative fees increased $220 million, or 12%, primarily due to higher assets in fee-based accounts compared with the prior year period, reflecting successful financial advisor recruiting and retention, as well as equity market appreciation.

Brokerage revenues declined $127 million, or 11%, primarily as a result of the decline in mutual fund trails, which were negatively impacted by the decline in the equity markets during the first fiscal quarter of 2019 and the continued shift to fee-based accounts.

Total account and service fees increased $88 million, or 15%, primarily due to higher RJBDP fees from RJ Bank due to an increase in the per-account servicing fee and, to a lesser extent, an increase in the number of accounts. RJBDP fees from third-party banks also increased, driven by higher short-term interest rates.

Net interest income increased $18 million, or 15%, driven by an increase in interest income from client margin loans due to the increase in short-term interest rates and, to a lesser extent, higher average balances. Offsetting the increase in interest income, interest expense also increased due to the impact of higher interest rates paid on client cash balances in CIP.

Non-interest expenses increased $203 million, or 6%, led by an increase in compensation-related expenses due to higher net revenues, as well as increased staffing levels to support our continued growth and regulatory compliance requirements. Communications and information processing expense increased as a result of our continued investment in technology infrastructure to support our growth. Occupancy and business development expenses also increased and were driven by branch expansion in our employee affiliation option as well as financial advisor growth.

Results of Operations – Capital Markets

For an overview of our Capital Markets segment operations, as well as a description of the key factors impacting our Capital Markets results of operations, refer to the information presented in "Item 1 - Business" and "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations" of our 2018 Form 10-K.

Operating results

	Three months ended June 30,			Nine months ended June 30,		
$ in millions	**2019**	2018	**% change**	**2019**	2018	**% change**
Revenues:						
Brokerage revenues:						
Equity	**$ 31**	$ 41	(24)%	**$ 105**	$ 123	(15)%
Fixed income	**73**	53	38 %	**201**	190	6 %
Total brokerage revenues	**104**	94	11 %	**306**	313	(2)%
Investment banking:						
Equity underwriting	**27**	30	(10)%	**72**	66	9 %
Merger & acquisition and advisory	**78**	85	(8)%	**279**	200	40 %
Fixed income investment banking	**24**	21	14 %	**63**	58	9 %
Total investment banking	**129**	136	(5)%	**414**	324	28 %
Interest income	**10**	9	11 %	**29**	24	21 %
Tax credit fund revenues	**16**	12	33 %	**49**	40	23 %
All other	**2**	1	100 %	**9**	10	(10)%
Total revenues	**261**	252	4 %	**807**	711	14 %
Interest expense	**(10)**	(9)	11 %	**(26)**	(21)	24 %
Net revenues	**251**	243	3 %	**781**	690	13 %
Non-interest expenses:						
Compensation, commissions and benefits	**160**	161	(1)%	**486**	471	3 %
Communications and information processing	**18**	18	—	**56**	55	2 %
Occupancy and equipment costs	**8**	8	—	**26**	25	4 %
Business development	**12**	13	(8)%	**37**	35	6 %
Professional fees	**11**	3	267 %	**31**	8	288 %
Acquisition and disposition-related expenses	**—**	—	—	**15**	—	NM
All other	**20**	22	(9)%	**71**	62	15 %
Total non-interest expenses	**229**	225	2 %	**722**	656	10 %
Income before taxes and including noncontrolling interests	**22**	18	22 %	**59**	34	74 %
Noncontrolling interests	**(2)**	(4)	50 %	**(18)**	(9)	(100)%
Pre-tax income excluding noncontrolling interests	**$ 24**	$ 22	9 %	**$ 77**	$ 43	79 %
Pre-tax margin on net revenues	**9.6%**	9.1%		**9.9%**	6.2%	

Quarter ended June 30, 2019 compared with the quarter ended June 30, 2018

Net revenues of $251 million increased $8 million, or 3%, and pre-tax income of $24 million increased $2 million, or 9%.

Total brokerage revenues increased $10 million, or 11%, due to an increase in fixed income brokerage revenues, which were partially offset by a decline in equity brokerage revenues. Fixed income brokerage revenues improved due to increased client activity during the current year quarter. Equity brokerage revenues reflected the impact of lower client activity during the current year quarter and included the impact of the sale of our operations related to research, sales and trading of European equities.

Investment banking revenues decreased $7 million, or 5%, from a strong prior year quarter. The decline in revenues was due to decreased merger & acquisition and advisory activity. Non-interest expenses increased $4 million, or 2%, reflecting increases in professional fees. Professional fees increased largely due to new accounting guidance we adopted effective October 1, 2018, which changed the presentation of certain costs related to investment banking transactions from a net presentation to a gross presentation. The current year quarter included this change, with approximately $6 million of these transaction-related expenses. See Notes 2 and

16 of the Notes to Condensed Consolidated Financial Statements of this Form 10-Q for information on the adoption of this new accounting guidance.

Nine months ended June 30, 2019 compared with the nine months ended June 30, 2018

Net revenues of $781 million increased $91 million, or 13%, and pre-tax income of $77 million increased $34 million, or 79%.

Total brokerage revenues decreased $7 million, or 2%, with a decline in equity brokerage revenues partially offset by an increase in fixed income brokerage revenues. Equity brokerage revenues continue to be challenged by the industry trend toward the separate payment for research and execution services and the shift from high to low-touch execution services. The increase in fixed income brokerage revenues was primarily due to an increase in client activity during the current year period. Our Canadian Capital Markets business continues to be challenged by the difficult environment in the market sectors in which we participate in Canada. Investment banking revenues increased $90 million, or 28%, led by increased merger & acquisition and advisory activity.

Non-interest expenses increased $66 million, or 10%, compared with the prior year period. The current year period was negatively impacted by a $15 million loss associated with the sale of our operations related to research, sales and trading of European equities. Compensation-related expenses increased primarily attributable to the increase in investment banking revenues. Professional fees increased $23 million largely due to the aforementioned new accounting guidance we adopted effective October 1, 2018. The current year period included approximately $18 million of these transaction-related expenses. Other expenses increased $9 million primarily due to losses related to a consolidated tax credit fund, nearly all of which were offset in noncontrolling interests.

Results of Operations – Asset Management

For an overview of our Asset Management segment operations as well as a description of the key factors impacting our Asset Management results of operations, refer to the information presented in "Item 1 - Business" and "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations" of our 2018 Form 10-K.

Operating results

	Three months ended June 30,			Nine months ended June 30,		
$ in millions	**2019**	2018	**% change**	**2019**	2018	**% change**
Revenues:						
Asset management and related administrative fees:						
Managed programs	**$ 120**	$ 118	2 %	**$ 346**	$ 336	3 %
Administration and other	**45**	39	15 %	**129**	114	13 %
Total asset management and related administrative fees	**165**	157	5 %	**475**	450	6 %
Account and service fees	**8**	9	(11)%	**27**	22	23 %
All other	**4**	2	100 %	**11**	10	10 %
Net revenues	**177**	168	5 %	**513**	482	6 %
Non-interest expenses:						
Compensation and benefits	**47**	45	4 %	**135**	127	6 %
Communications and information processing	**12**	10	20 %	**33**	29	14 %
Investment sub-advisory fees	**23**	22	5 %	**68**	66	3 %
All other	**29**	31	(6)%	**90**	82	10 %
Total non-interest expenses	**111**	108	3 %	**326**	304	7 %
Income before taxes and including noncontrolling interests	**66**	60	10 %	**187**	178	5 %
Noncontrolling interests	**1**	2	(50)%	**3**	7	(57)%
Pre-tax income excluding noncontrolling interests	**$ 65**	$ 58	12 %	**$ 184**	$ 171	8 %
Pre-tax margin on net revenues	**36.7%**	34.5%		**35.9%**	35.5%	

Selected key metrics

Managed programs

We earn asset management and administration fees for performing asset management, investment advisory and related administrative services for retail and institutional clients. Management fees recorded in our Asset Management segment are generally calculated as a percentage of the value of our fee-billable financial assets under management ("AUM"). These AUM include the portion of fee-based AUA in our PCG segment that are invested in programs managed by our Asset Management segment (included in the AMS line of the following table), as well as certain retail accounts managed on behalf of third-party institutions, institutional accounts or funds that we manage (included in the Carillon Tower Advisers and affiliates "Carillon Tower Advisers" line of the following table).

Revenues related to fee-based AUA in our PCG segment are shared by the PCG and Asset Management segments, the amount of which depends on whether clients are invested in assets that are overseen by our Asset Management segment and the administrative services provided (see our "Management's Discussion and Analysis - Results of Operations - Private Client Group" for more information). Our financial assets under management in AMS are impacted by market fluctuations and net inflows or outflows of assets, including transfers between fee-based accounts and traditional transaction-based accounts within our PCG segment.

Revenues earned by Carillon Tower Advisers for accounts managed on behalf of third-party institutions, institutional accounts or funds are recorded entirely in the Asset Management segment. Our financial assets under management in Carillon Tower Advisers are impacted by market fluctuations and net inflows or outflows of assets.

Fees are generally collected quarterly and are based on balances as of the beginning of the quarter, the end of the quarter, or average daily balances.

Financial assets under management:

$ in millions	**June 30, 2019**	March 31, 2019	September 30, 2018	June 30, 2018	March 31, 2018	September 30, 2017
AMS [(1)]	**$ 89,106**	$ 84,906	$ 83,289	$ 78,897	$ 76,091	$ 69,962
Carillon Tower Advisers	**60,737**	59,852	63,330	62,210	61,751	31,831
Subtotal financial assets under management	**149,843**	144,758	146,619	141,107	137,842	101,793
Less: Assets managed for affiliated entities	**(6,712)**	(6,220)	(5,702)	(5,573)	(5,538)	(5,397)
Total financial assets under management	**$ 143,131**	$ 138,538	$ 140,917	$ 135,534	$ 132,304	$ 96,396

(1) Represents the portion of our PCG segment fee-based AUA (as disclosed in "Assets in fee-based accounts" in the "Selected key metrics - PCG client asset balances" section of our "Management's Discussion and Analysis - Results of Operations - Private Client Group") that is invested in programs overseen by the Asset Management segment.

Activity (including activity in assets managed for affiliated entities):

	Three months ended June 30,		**Nine months ended June 30,**	
$ in millions	**2019**	2018	**2019**	2018
Financial assets under management at beginning of period	**$ 144,758**	$ 137,842	**$ 146,619**	$ 101,793
Carillon Tower Advisers:				
Scout Group acquisition	**—**	—	**—**	27,087
Other - net inflows/(outflows)	**(910)**	(544)	**(3,584)**	862
AMS - net inflows	**1,751**	2,348	**4,138**	7,283
Net market appreciation/(depreciation) in asset values	**4,244**	1,461	**2,670**	4,082
Financial assets under management at end of period	**$ 149,843**	$ 141,107	**$ 149,843**	$ 141,107

AMS division of RJ&A

See "Management's Discussion and Analysis - Results of Operations - Private Client Group" for further information about our retail client assets, including those fee-based assets invested in programs managed by AMS.

Carillon Tower Advisers

Assets managed by Carillon Tower Advisers include assets managed by its subsidiaries and affiliates Eagle Asset Management, ClariVest Asset Management, Cougar Global Investments and the Scout Group. The following table presents Carillon Tower Advisers' AUM by objective, excluding non-discretionary asset-based programs, as well as the approximate average client fee rate earned on such assets for the most recent fiscal year period.

$ in millions		June 30, 2019	Average fee rate
Equity	$	29,874	0.51%
Fixed income		26,335	0.18%
Balanced		4,528	0.37%
Total financial assets under management	$	60,737	0.36%

Non-discretionary asset-based programs

Assets held in certain non-discretionary asset-based programs for which the Asset Management segment does not exercise discretion but provides administrative support (including for affiliated entities) totaled $220.1 billion, $207.0 billion, $200.1 billion, $186.4 billion and $157.0 billion as of June 30, 2019, March 31, 2019, September 30, 2018, June 30, 2018, and September 30, 2017, respectively. The increase in assets over the prior year level was primarily due to clients moving to fee-based accounts from traditional transaction-based accounts, successful financial advisor recruiting and market appreciation. Administrative fees associated with these programs are predominantly calculated based on balances at the beginning of the quarter.

RJ Trust

Assets held in asset-based programs in RJ Trust (including those managed for affiliated entities) totaled $6.4 billion, $6.2 billion, $6.1 billion, $5.8 billion and $5.5 billion as of June 30, 2019, March 31, 2019, September 30, 2018, June 30, 2018 and September 30, 2017, respectively.

Quarter ended June 30, 2019 compared with the quarter ended June 30, 2018

Net revenues of $177 million increased $9 million, or 5%, and pre-tax income of $65 million increased $7 million, or 12%.

Total asset management and related administrative fee revenues increased $8 million, or 5%, driven by an increase in administrative fees due to the aforementioned increase in assets held in non-discretionary asset-based programs.

Non-interest expenses increased $3 million, or 3%, as a result of an increase in compensation and benefits expense as well as communication and information processing expenses, primarily to support the growth of the business.

Nine months ended June 30, 2019 compared with the nine months ended June 30, 2018

Net revenues of $513 million increased $31 million, or 6%, and pre-tax income of $184 million increased $13 million, or 8%.

Total asset management and related administrative fee revenues increased $25 million, or 6%, driven by an increase in net revenues from both managed and non-discretionary asset-based accounts. Managed programs increased due to the current year period including a full period of results for the Scout Group, which was acquired in November 2017. Administrative fees increased over the prior year period due to the aforementioned increase in assets held in non-discretionary asset-based programs.

Non-interest expenses increased $22 million, or 7%, primarily the result of an increase in compensation and benefits expense and other expenses. Compensation and benefits expense increased primarily due to the Scout Group acquisition in November 2017, in addition to an increase in personnel over the prior year period to support the growth of the business. The increase in other expense was primarily due to certain incremental costs associated with the Scout Group acquisition, including platform fees related to the new funds offered and the amortization of certain intangible assets arising from the acquisition.

Results of Operations – RJ Bank

For an overview of our RJ Bank segment operations, as well as a description of the key factors impacting our RJ Bank results of operations, refer to the information presented in “Item 1 - Business” and “Item 7 - Management’s Discussion and Analysis Financial Condition and Results of Operations” of our 2018 Form 10-K.

Operating results

	Three months ended June 30,			Nine months ended June 30,		
$ in millions	**2019**	2018	**% change**	**2019**	2018	**% change**
Revenues:						
Interest income	**$ 246**	$ 205	20 %	**$ 732**	$ 571	28%
Interest expense	**(38)**	(25)	52 %	**(122)**	(56)	118%
Net interest income	**208**	180	16 %	**610**	515	18%
All other	**7**	8	(13)%	**20**	17	18%
Net revenues	**215**	188	14 %	**630**	532	18%
Non-interest expenses:						
Compensation and benefits	**13**	12	8 %	**36**	31	16%
Loan loss provision/(benefit)	**(5)**	5	(200)%	**16**	14	14%
RJBDP fees to PCG	**44**	24	83 %	**127**	67	90%
All other	**25**	17	47 %	**67**	58	16%
Total non-interest expenses	**77**	58	33 %	**246**	170	45%
Pre-tax income	**$ 138**	$ 130	6 %	**$ 384**	$ 362	6%
Pre-tax margin on net revenues	**64.2%**	69.1%		**61.0%**	68.0%	

<u>Quarter ended June 30, 2019 compared with the quarter ended June 30, 2018</u>

Net revenues of $215 million increased $27 million, or 14%, and pre-tax income of $138 million increased $8 million, or 6%.

Net interest income increased $28 million, or 16%, due to a $2.64 billion increase in average interest-earning banking assets, primarily reflecting a $1.90 billion increase in average loans, and an increase in net interest margin. The net interest margin increased to 3.37% from 3.30% due to an increase in average asset yields, as a result of both higher short-term interest rates and higher average balances, partially offset by an increase in total cost of funds. The increase in total cost of funds resulted from higher deposit costs primarily due to increased interest rates. Corresponding to the increase in average interest-earning banking assets, average interest-bearing banking liabilities increased $2.48 billion.

The loan loss benefit of $5 million in the current year quarter was attributable to the substantial decrease in total criticized loans due to several payoffs during the current year quarter.

Non-interest expenses (excluding the provision for loan losses) increased $29 million, or 55%, including a $20 million, or 83%, increase in fees for RJBDP paid to PCG, primarily driven by an increase in the per-account servicing fee effective October 1, 2018 and the increase in number of accounts. In addition, there were increases in the reserves on unfunded loan commitments compared with the prior year quarter. The current year quarter included an increase in losses associated with certain of RJ Bank’s LIHTC investments. These LIHTC investments produce certain operating losses that impact non-interest expenses, but create incremental benefits in excess of such losses in the form of tax credits which benefit our consolidated income tax expense and liabilities.

The following table presents average balances, interest income and expense, the related yields and rates, and interest spreads and margins for RJ Bank.

	Three months ended June 30,					
	2019			2018		
$ in millions	**Average balance**	**Interest inc./exp.**	**Average yield/ cost**	Average balance	Interest inc./exp.	Average yield/ cost
Interest-earning banking assets:						
Cash	**$ 998**	**$ 5**	**2.36%**	$ 660	$ 4	1.79%
Available-for-sale securities	**2,901**	**18**	**2.41%**	2,534	14	2.11%
Bank loans, net of unearned income:						
Loans held for investment:						
C&I loans	**8,278**	**98**	**4.68%**	7,647	85	4.40%
CRE construction loans	**248**	**4**	**5.45%**	182	2	5.23%
CRE loans	**3,359**	**39**	**4.53%**	3,259	34	4.15%
Tax-exempt loans	**1,291**	**9**	**3.35%**	1,191	8	3.41%
Residential mortgage loans	**4,127**	**34**	**3.32%**	3,514	27	3.10%
SBL and other	**3,125**	**36**	**4.64%**	2,741	29	4.26%
Loans held for sale	**118**	**1**	**4.78%**	109	1	4.34%
Total bank loans, net	**20,546**	**221**	**4.30%**	18,643	186	4.04%
FHLB stock, Federal Reserve Bank stock and other	**168**	**2**	**4.42%**	133	1	4.53%
Total interest-earning banking assets	**24,613**	**$ 246**	**4.00%**	21,970	$ 205	3.75%
Non-interest-earning banking assets:						
Unrealized loss on available-for-sale securities	**(6)**			(57)		
Allowance for loan losses	**(218)**			(195)		
Other assets	**390**			367		
Total non-interest-earning banking assets	**166**			115		
Total banking assets	**$ 24,779**			$ 22,085		
Interest-bearing banking liabilities:						
Bank deposits:						
Certificates of deposit	**$ 561**	**$ 4**	**2.33%**	$ 389	$ 1	1.64%
Savings, money market and NOW accounts	**20,989**	**30**	**0.59%**	18,634	18	0.39%
FHLB advances and other	**895**	**4**	**2.08%**	939	6	2.09%
Total interest-bearing banking liabilities	**22,445**	**$ 38**	**0.69%**	19,962	$ 25	0.49%
Non-interest-bearing banking liabilities	**156**			183		
Total banking liabilities	**22,601**			20,145		
Total banking shareholder's equity	**2,178**			1,940		
Total banking liabilities and shareholder's equity	**$ 24,779**			$ 22,085		
Excess of interest-earning banking assets over interest-bearing banking liabilities/net interest income	**$ 2,168**	**$ 208**		$ 2,008	$ 180	
Bank net interest:						
Spread			**3.31%**			3.26%
Margin (net yield on interest-earning banking assets)			**3.37%**			3.30%
Ratio of interest-earning banking assets to interest-bearing banking liabilities			**109.66%**			110.06%

Nonaccrual loans are included in the average loan balances in the preceding table. Payment or income received on corporate nonaccrual loans are applied to principal. Income on residential mortgage nonaccrual loans is recognized on a cash basis.

Fee income on bank loans included in interest income for the three months ended June 30, 2019 and 2018 was $3 million and $6 million, respectively.

The yield on tax-exempt loans in the preceding table is presented on a tax-equivalent basis utilizing the applicable federal statutory tax rates for each of the three months ended June 30, 2019 and 2018.

Increases and decreases in interest income and interest expense result from changes in average balances (volume) of interest-earning assets and interest-bearing liabilities, as well as changes in average interest rates. The following table shows the effect that these factors had on the interest earned on our interest-earning assets and the interest incurred on our interest-bearing liabilities. The effect of changes in volume is determined by multiplying the change in volume by the previous period's average yield/cost. Similarly, the effect of rate changes is calculated by multiplying the change in average yield/cost by the previous year's volume. Changes attributable to both volume and rate have been allocated proportionately.

	Three months ended June 30, 2019 compared to 2018		
	Increase/(decrease) due to		
$ in millions	Volume	Rate	Total
Interest revenue:			
Interest-earning banking assets:			
Cash	$ 1	$ —	$ 1
Available-for-sale securities	2	2	4
Bank loans, net of unearned income:			
Loans held for investment:			
C&I loans	7	6	13
CRE construction loans	2	—	2
CRE loans	1	4	5
Tax-exempt loans	1	—	1
Residential mortgage loans	5	2	7
SBL and other	4	3	7
Total bank loans, net	20	15	35
FHLB stock, Federal Reserve Bank stock, and other	1	—	1
Total interest-earning banking assets	24	17	41
Interest expense:			
Interest-bearing banking liabilities:			
Bank deposits:			
Certificates of deposit	1	2	3
Savings, money market, and NOW accounts	2	10	12
FHLB advances and other	(2)	—	(2)
Total interest-bearing banking liabilities	1	12	13
Change in net interest income	$ 23	$ 5	$ 28

<u>Nine months ended June 30, 2019 compared with the nine months ended June 30, 2018</u>

Net revenues of $630 million increased $98 million, or 18%, and pre-tax income of $384 million increased $22 million, or 6%.

Net interest income increased $95 million, or 18%, due to a $2.85 billion increase in average interest-earning banking assets, as well as an increase in net interest margin. The increase in average interest-earning banking assets was driven by growth in average loans of $2.16 billion and a $473 million increase in our average available-for-sale securities portfolio. The net interest margin increased to 3.32% from 3.20% due to an increase in asset yields, a result of higher short-term interest rates and average balances, partially offset by an increase in total cost of funds. The increase in total cost of funds resulted from higher deposit costs due to increased interest rates. Corresponding to the increase in average interest-earning banking assets, average interest-bearing banking liabilities increased $2.62 billion.

The loan loss provision of $16 million was $2 million higher than the prior year period and was largely attributable to provisions related to certain credits downgraded during the current year period, partially offset by lower reserve rates on pass-rated loans.

Non-interest expenses (excluding the provision for loan losses) increased $74 million, or 47%, including a $60 million, or 90%, increase in fees for RJBDP paid to PCG, primarily driven by an increase in the per-account servicing fee effective October 1, 2018 and the increase in the number of accounts. In addition, compensation and benefits expenses increased due increased staffing levels to support our continued growth. The current year period included an increase in losses associated with certain of RJ Bank's LIHTC investments. These LIHTC investments produce certain operating losses that impact non-interest expenses, but create incremental benefits in excess of such losses in the form of tax credits which benefit our consolidated income tax expense and liabilities.

The following table presents average balances, interest income and expense, the related yields and rates, and interest spreads and margins for RJ Bank.

	Nine months ended June 30,					
	2019			2018		
$ in millions	**Average balance**	**Interest inc./exp.**	**Average yield/ cost**	Average balance	Interest inc./exp.	Average yield/ cost
Interest-earning banking assets:						
Cash	**$ 1,231**	**$ 21**	**2.33%**	$ 1,040	$ 12	1.48%
Available-for-sale securities	**2,831**	**51**	**2.39%**	2,358	36	2.00%
Bank loans, net of unearned income:						
Loans held for investment:						
C&I loans	**8,065**	**286**	**4.67%**	7,538	237	4.15%
CRE construction loans	**205**	**9**	**5.58%**	166	6	5.03%
CRE loans	**3,433**	**120**	**4.60%**	3,160	95	3.97%
Tax-exempt loans	**1,285**	**26**	**3.34%**	1,126	22	3.41%
Residential mortgage loans	**3,999**	**100**	**3.32%**	3,363	78	3.08%
SBL and other	**3,098**	**109**	**4.64%**	2,594	78	3.98%
Loans held for sale	**149**	**5**	**4.87%**	123	3	3.83%
Total bank loans, net	**20,234**	**655**	**4.32%**	18,070	519	3.85%
FHLB stock, Federal Reserve Bank stock and other	**163**	**5**	**4.27%**	138	4	4.13%
Total interest-earning banking assets	**24,459**	**$ 732**	**3.99%**	21,606	$ 571	3.54%
Non-interest-earning banking assets:						
Unrealized loss on available-for-sale securities	**(37)**			(39)		
Allowance for loan losses	**(214)**			(192)		
Other assets	**404**			373		
Total non-interest-earning banking assets	**153**			142		
Total banking assets	**$ 24,612**			$ 21,748		
Interest-bearing banking liabilities:						
Bank deposits:						
Certificates of deposit	**$ 527**	**$ 9**	**2.20%**	$ 353	$ 4	1.60%
Savings, money market and NOW accounts	**20,861**	**99**	**0.64%**	18,426	37	0.27%
FHLB advances and other	**919**	**14**	**2.13%**	908	15	2.09%
Total interest-bearing banking liabilities	**22,307**	**$ 122**	**0.73%**	19,687	$ 56	0.37%
Non-interest-bearing banking liabilities	**191**			176		
Total banking liabilities	**22,498**			19,863		
Total banking shareholder's equity	**2,114**			1,885		
Total banking liabilities and shareholder's equity	**$ 24,612**			$ 21,748		
Excess of interest-earning banking assets over interest-bearing banking liabilities/net interest income	**$ 2,152**	**$ 610**		$ 1,919	$ 515	
Bank net interest:						
Spread			**3.26%**			3.17%
Margin (net yield on interest-earning banking assets)			**3.32%**			3.20%
Ratio of interest-earning banking assets to interest-bearing banking liabilities			**109.65%**			109.75%

Nonaccrual loans are included in the average loan balances in the preceding table. Payment or income received on corporate nonaccrual loans are applied to principal. Income on residential mortgage nonaccrual loans is recognized on a cash basis.

Fee income on bank loans included in interest income for the nine months ended June 30, 2019 and 2018 was $14 million and $19 million, respectively.

The yield on tax-exempt loans in the preceding table is presented on a tax-equivalent basis utilizing the applicable federal statutory tax rates for each of the nine months ended June 30, 2019 and 2018.

Increases and decreases in interest income and interest expense result from changes in average balances (volume) of interest-earning assets and interest-bearing liabilities, as well as changes in average interest rates. The following table shows the effect that these factors had on the interest earned on our interest-earning assets and the interest incurred on our interest-bearing liabilities. The effect of changes in volume is determined by multiplying the change in volume by the previous period's average yield/cost. Similarly, the effect of rate changes is calculated by multiplying the change in average yield/cost by the previous year's volume. Changes attributable to both volume and rate have been allocated proportionately.

	Nine months ended June 30, 2019 compared to 2018		
	Increase/(decrease) due to		
$ in millions	**Volume**	**Rate**	**Total**
Interest revenue:			
Interest-earning banking assets:			
Cash	$ 2	$ 7	$ 9
Available-for-sale securities	7	8	15
Bank loans, net of unearned income:			
Loans held for investment:			
C&I loans	17	32	49
CRE construction loans	2	1	3
CRE loans	8	17	25
Tax-exempt loans	3	1	4
Residential mortgage loans	15	7	22
SBL and other	15	16	31
Loans held for sale	1	1	2
Total bank loans, net	61	75	136
FHLB stock, Federal Reserve Bank stock, and other	1	—	1
Total interest-earning banking assets	71	90	161
Interest expense:			
Interest-bearing banking liabilities:			
Bank deposits:			
Certificates of deposit	2	3	5
Savings, money market, and NOW accounts	5	57	62
FHLB advances and other	—	(1)	(1)
Total interest-bearing banking liabilities	7	59	66
Change in net interest income	$ 64	$ 31	$ 95

Results of Operations – Other

This segment includes our private equity investments as well as certain corporate overhead costs of RJF, the interest cost on our public debt, and the acquisition and integration costs associated with certain acquisitions. For an overview of our Other segment operations, refer to the information presented in "Item 1 - Business" of our 2018 Form 10-K.

Operating results

	Three months ended June 30,			Nine months ended June 30,		
$ in millions	**2019**	2018	**% change**	**2019**	2018	**% change**
Revenues:						
Interest income	**$ 12**	$ 11	9 %	**$ 42**	$ 28	50 %
Gains on private equity investments	**2**	3	(33)%	**8**	21	(62)%
All other	**1**	2	(50)%	**5**	4	25 %
Total revenues	**15**	16	(6)%	**55**	53	4 %
Interest expense	**(19)**	(18)	6 %	**(57)**	(56)	2 %
Net revenues	**(4)**	(2)	100 %	**(2)**	(3)	(33)%
Non-interest expenses:						
Compensation and other	**22**	20	10 %	**59**	51	16 %
Acquisition-related expenses	**—**	—	—	**—**	4	(100)%
Total non-interest expenses	**22**	20	10 %	**59**	55	7 %
Loss before taxes and including noncontrolling interests	**(26)**	(22)	(18)%	**(61)**	(58)	(5)%
Noncontrolling interests	**(1)**	2	NM	**(1)**	2	NM
Pre-tax loss excluding noncontrolling interests	**$ (25)**	$ (24)	(4)%	**$ (60)**	$ (60)	—

<u>Quarter ended June 30, 2019 compared with the quarter ended June 30, 2018</u>

The pre-tax loss was essentially unchanged from the loss generated in the prior year quarter.

Net revenues decreased $2 million primarily due to a decrease in gains on private equity investments, offset by an increase in interest income. Interest income increased primarily as a result of the increase in interest rates earned on higher corporate cash balances.

Non-interest expenses increased $2 million, or 10%, driven by higher advertising-related expenses.

<u>Nine months ended June 30, 2019 compared with the nine months ended June 30, 2018</u>

The pre-tax loss of $60 million was flat versus the loss generated in the prior year period.

Net revenues increased $1 million due to an increase in interest income, primarily as a result of the increase in interest rates earned on higher corporate cash balances, partially offset by lower gains on private equity investments. The prior year period included gains on certain of our private equity investments that were sold during fiscal year 2018.

Non-interest expenses increased $4 million, or 7%, primarily driven by higher compensation-related expenses. The prior year period included certain expenses incurred in connection with our acquisition of the Scout Group, which closed in November 2017.

Certain statistical disclosures by bank holding companies

We are required to provide certain statistical disclosures required for bank holding companies under the SEC's Industry Guide 3. The following table provides certain of those disclosures.

	Three months ended June 30,		Nine months ended June 30,	
	2019	2018	**2019**	2018
Return on assets	**2.7%**	2.6%	**2.7%**	2.2%
Annualized return on equity	**16.1%**	15.4%	**16.2%**	13.6%
Average equity to average assets	**16.7%**	16.7%	**16.6%**	16.3%
Dividend payout ratio	**18.9%**	19.4%	**19.2%**	20.1%

Return on assets is computed by dividing annualized net income attributable to RJF for the period indicated by average assets for each respective period. Average assets for the quarter is computed by adding total assets as of the date indicated to the prior quarter-end total, and dividing by two. Average assets for the year to date is computed by adding total assets as of each quarter-end to the beginning of the year total, and dividing by four.

Return on equity is computed by dividing annualized net income attributable to RJF for the period indicated by average equity attributable to RJF for each respective period. Average equity for the quarter is computed by adding the total equity attributable to RJF as of the date indicated to the prior quarter-end total, and dividing by two. Average equity for the year to date is computed by adding the total equity attributable to RJF as of each quarter-end to the beginning of the year total, and dividing by four.

Average equity to average assets is computed by dividing average equity by average assets as calculated in accordance with the previous explanations.

Dividend payout ratio is computed by dividing dividends declared per common share during the period by earnings per diluted common share.

Refer to the “Results of Operations - RJ Bank” and “Risk management - Credit risk” sections of Management’s Discussion and Analysis of Financial Condition and Results of Operations and to the Notes to Condensed Consolidated Financial Statements of this Form 10-Q for the other required disclosures.

Liquidity and capital resources

Liquidity is essential to our business. The primary goal of our liquidity management activities is to ensure adequate funding to conduct our business over a range of economic and market environments.

Senior management establishes our liquidity and capital management framework. This framework includes senior management’s review of short- and long-term cash flow forecasts, review of monthly capital expenditures, monitoring of the availability of alternative sources of financing, and daily monitoring of liquidity in our significant subsidiaries. Our decisions on the allocation of capital to our business units consider, among other factors, projected profitability and cash flow, risk, and impact on future liquidity needs. Our treasury department assists in evaluating, monitoring and controlling the impact that our business activities have on our financial condition, liquidity and capital structure, and maintains our relationships with various lenders. The objective of this framework is to support the successful execution of our business strategies while ensuring ongoing and sufficient liquidity.

Liquidity is provided primarily through our business operations and financing activities. Financing activities could include bank borrowings, repurchase agreement transactions or additional capital raising activities under our “universal” shelf registration statement.

Cash and cash equivalents increased $96 million to $3.60 billion during the nine months ended June 30, 2019, due to $1.51 billion of cash provided by financing activities, which was primarily driven by increases in bank deposits and short-term borrowings, partially offset by our open-market share repurchases and dividends on our common stock during the period. Additionally, a decrease of $85 million in cash segregated pursuant to regulations was offset by $101 million of cash used in our operating activities during the current period. Investing activities used $1.39 billion primarily due to an increase in bank loans and the growth of our available-for-sale securities portfolio during the current period.

We believe our existing assets, most of which are liquid in nature, together with funds generated from operations and available from committed and uncommitted financing facilities provide adequate funds for continuing operations at current levels of activity.

Sources of liquidity

Approximately $1.22 billion of our total June 30, 2019 cash and cash equivalents included cash on hand at the parent, as well as parent cash loaned to RJ&A. The following table presents our holdings of cash and cash equivalents.

$ in millions	June 30, 2019
RJF	$ 448
RJ&A	949
RJ Bank	1,419
RJ Ltd.	382
RJFS	131
Carillon Tower Advisers	89
Other subsidiaries	178
Total cash and cash equivalents	**$ 3,596**

RJF maintained depository accounts at RJ Bank with a balance of $147 million as of June 30, 2019. The portion of this total that was available on demand without restrictions, which amounted to $107 million as of June 30, 2019, is reflected in the RJF total (and is excluded from the RJ Bank cash balance in the preceding table).

RJF had loaned $794 million to RJ&A as of June 30, 2019 (such amount is included in the RJ&A cash balance in the preceding table), which RJ&A has invested on behalf of RJF in cash and cash equivalents or otherwise deployed in its normal business activities. On July 1, 2019, we withdrew approximately $160 million of cash out of RJ&A segregated reserve accounts as a result of the period-end reserve calculation.

In addition to the cash balances described, we have various other potential sources of cash available to the parent from subsidiaries, as described in the following section.

Liquidity available from subsidiaries

Liquidity is principally available to RJF, the parent company, from RJ&A and RJ Bank.

RJ&A is subject to the requirements of the Uniform Net Capital Rule (Rule 15c3-1) under the Securities and Exchange Act of 1934. As a member firm of the Financial Industry Regulatory Authority ("FINRA"), RJ&A is subject to FINRA's capital requirements, which are substantially the same as Rule 15c3-1, and is required to maintain net capital equal to the greater of $1.5 million or 2% of aggregate debit balances arising from client transactions. In addition, covenants in RJ&A's committed secured financing facilities require its net capital to be a minimum of 10% of aggregate debit items. At June 30, 2019, RJ&A significantly exceeded the minimum regulatory requirements, the covenants in its financing arrangements pertaining to net capital, as well as its internally-targeted net capital tolerances. There are also limitations on the amount of dividends that may be declared by a broker-dealer without FINRA approval.

RJ Bank may pay dividends to RJF without the prior approval of its regulator as long as the dividend does not exceed the sum of RJ Bank's current calendar year and the previous two calendar years' retained net income, and RJ Bank maintains its targeted regulatory capital ratios. At June 30, 2019, RJ Bank had $271 million of capital in excess of the amount it would need at that date to maintain its targeted regulatory capital ratios, and could pay a dividend of such amount without requiring prior approval of its regulator.

Although we have liquidity available to us from our other subsidiaries, the available amounts are not as significant as those previously described and, in certain instances, may be subject to regulatory requirements.

Borrowings and financing arrangements

Committed financing arrangements

Our ability to borrow is dependent upon compliance with the conditions in our various loan agreements and, in the case of secured borrowings, collateral eligibility requirements. Our committed financing arrangements are in the form of either tri-party repurchase agreements or, in the case of the Credit Facility, an unsecured line of credit. The required market value of the collateral associated with the committed secured facilities ranges from 102% to 125% of the amount financed.

The following table presents our committed financing arrangements with third-party lenders, which we generally utilize to finance a portion of our fixed income trading instruments held, and the outstanding balances related thereto.

	June 30, 2019			
$ in millions	RJ&A	RJF	Total	Total number of arrangements
Financing arrangement:				
Committed secured	$ 200	$ —	$ 200	2
Committed unsecured [1]	200	300	500	1
Total committed financing arrangements	**$ 400**	**$ 300**	**$ 700**	**3**
Outstanding borrowing amount:				
Committed secured	$ —	$ —	$ —	
Committed unsecured	—	—	—	
Total outstanding borrowing amount	**$ —**	**$ —**	**$ —**	

(1) The Credit Facility provides for maximum borrowings of up to $500 million, with a sublimit of $300 million for RJF. For additional details on our committed unsecured financing arrangement, see our discussion of the Credit Facility in Note 12 of the Notes to Condensed Consolidated Financial Statements of this Form 10-Q.

Uncommitted financing arrangements

Our uncommitted financing arrangements are in the form of secured lines of credit, secured bilateral or tri-party repurchase agreements, or unsecured lines of credit. Our arrangements with third-party lenders are generally utilized to finance a portion of our fixed income securities or for cash management purposes. Our uncommitted secured financing arrangements generally require us to post collateral in excess of the amount borrowed. As of June 30, 2019, we had outstanding borrowings under three uncommitted secured borrowing arrangements with lenders out of a total of 11 uncommitted financing arrangements (six uncommitted secured and five uncommitted unsecured). However, lenders are under no contractual obligation to lend to us under uncommitted credit facilities.

The following table presents our borrowings on uncommitted financing arrangements, all of which were in RJ&A.

$ in millions	June 30, 2019
Outstanding borrowing amount:	
Uncommitted secured	$ 215
Uncommitted unsecured	—
Total outstanding borrowing amount	**$ 215**

Other financings

RJ Bank had $875 million in FHLB borrowings outstanding at June 30, 2019, comprised of floating-rate advances totaling $850 million and a $25 million fixed-rate advance, all of which were secured by a blanket lien on RJ Bank's residential mortgage loan portfolio (see Note 12 of the Notes to Condensed Consolidated Financial Statements of this Form 10-Q for additional information regarding these borrowings). RJ Bank had an additional $2.19 billion in immediate credit available from the FHLB as of June 30, 2019 and, with the pledge of additional eligible collateral to the FHLB, total available credit of 30% of total assets.

RJ Bank is eligible to participate in the FRB's discount-window program; however, we do not view borrowings from the FRB as a primary source of funding. The credit available in this program is subject to periodic review, may be terminated or reduced at the discretion of the FRB, and is secured by pledged C&I loans.

We act as an intermediary between broker-dealers and other financial institutions whereby we borrow securities from one broker-dealer and then lend them to another. Where permitted, we have also loaned, to broker-dealers and other financial institutions, securities owned by clients or the firm. We account for each of these types of transaction as collateralized agreements and financings, with the outstanding balances related to the securities loaned included in "Securities loaned" on our Condensed Consolidated Statements of Financial Condition of this Form 10-Q, in the amount of $429 million as of June 30, 2019. Such financings are generally collateralized by cash or other collateral. See Note 7 of the Notes to Condensed Consolidated Financial Statements of this Form 10-Q for more information on our securities borrowed and securities loaned.

From time to time we enter into repurchase agreements and reverse repurchase agreements. We account for each of these types of transactions as collateralized agreements and financings, with the outstanding balances of the repurchase agreements included in "Securities sold under agreements to repurchase" on our Condensed Consolidated Statements of Financial Condition of this Form 10-Q, in the amount of $165 million as of June 30, 2019 (which are reflected in the preceding table of uncommitted financing arrangements). Such financings are generally collateralized by non-customer, RJ&A-owned securities or by securities that we have received as collateral under reverse repurchase agreements.

The average daily balance outstanding during the five most recent quarters, the maximum month-end balance outstanding during the quarter and the period-end balances for repurchase agreements and reverse repurchase agreements is detailed in the following table.

	Repurchase transactions			Reverse repurchase transactions		
For the quarter ended: *($ in millions)*	**Average daily balance outstanding**	**Maximum month-end balance outstanding during the quarter**	**End of period balance outstanding**	**Average daily balance outstanding**	**Maximum month-end balance outstanding during the quarter**	**End of period balance outstanding**
June 30, 2019	**$ 211**	**$ 212**	**$ 165**	**$ 442**	**$ 479**	**$ 411**
March 31, 2019	$ 172	$ 210	$ 210	$ 358	$ 447	$ 447
December 31, 2018	$ 171	$ 189	$ 156	$ 413	$ 479	$ 399
September 30, 2018	$ 117	$ 186	$ 186	$ 355	$ 376	$ 373
June 30, 2018	$ 151	$ 165	$ 115	$ 364	$ 369	$ 343

At June 30, 2019, in addition to the financing arrangements previously described, we had $20 million outstanding on a mortgage loan for our St. Petersburg, Florida home-office complex that is included in "Other borrowings" on our Condensed Consolidated Statements of Financial Condition of this Form 10-Q.

At June 30, 2019, we had aggregate outstanding senior notes payable of $1.55 billion. Our senior notes payable, exclusive of any unaccreted premiums or discounts and debt issuance costs, was comprised of $250 million par 5.625% senior notes due 2024, $500 million par 3.625% senior notes due 2026, and $800 million par 4.95% senior notes due 2046. See Note 15 of our 2018 Form 10-K for additional information.

Our issuer and senior long-term debt ratings as of the most current report are detailed in the following table.

Rating Agency	Rating	Outlook
Standard & Poor's Ratings Services	BBB+	Stable
Moody's Investors Services	Baa1	Stable

Our current long-term debt ratings depend upon a number of factors, including industry dynamics, operating and economic environment, operating results, operating margins, earnings trends and volatility, balance sheet composition, liquidity and liquidity management, capital structure, overall risk management, business diversification and market share, and competitive position in the markets in which we operate. Deteriorations in any of these factors could impact our credit ratings. Any rating downgrades could increase our costs in the event we were to obtain additional financing.

Should our credit rating be downgraded prior to a public debt offering, it is probable that we would have to offer a higher rate of interest to bond holders. A downgrade to below investment grade may make a public debt offering difficult to execute on terms we would consider to be favorable. A downgrade below investment grade could result in the termination of certain derivative contracts and the counterparties to the derivative instruments could request immediate payment or demand immediate and ongoing overnight collateralization on our derivative instruments in liability positions (see Note 6 of the Notes to Condensed Consolidated Financial Statements of this Form 10-Q for additional information). A credit downgrade could damage our reputation and result in certain counterparties limiting their business with us, result in negative comments by analysts, and potentially negatively impact investor perception of us, and cause a decline in our stock price and/or our clients' perception of us. None of our borrowing arrangements contain a condition or event of default related to our credit ratings. However, a credit downgrade would result in the firm incurring a higher facility fee on the $500 million Credit Facility, in addition to triggering a higher interest rate applicable to any borrowings outstanding on that line as of and subsequent to such downgrade. Conversely, an improvement in RJF's current credit rating could have a favorable impact on the facility fee, as well as the interest rate applicable to any borrowings on such line.

Other sources and uses of liquidity

We have company-owned life insurance policies which are utilized to fund certain non-qualified deferred compensation plans and other employee benefit plans. Certain of our non-qualified deferred compensation plans and other employee benefit plans are employee-directed while others are company-directed. Certain policies which we could readily borrow against had a cash surrender value of $556 million as of June 30, 2019, comprised of $327 million related to employee-directed plans and $229 million related to company-directed plans, and we were able to borrow up to 90%, or $500 million, of the June 30, 2019 total without restriction. To effect any such borrowing, the underlying investments would be converted to money market investments, therefore requiring us to take market risk related to the employee-directed plans. There were no borrowings outstanding against any of these policies as of June 30, 2019.

On July 31, 2019, we received approximately $40 million as a result of the tender of certain of our auction rate preferred securities.

On May 18, 2018, we filed a “universal” shelf registration statement with the SEC to be in a position to access the capital markets if and when necessary or perceived by us to be opportune.

See the Contractual obligations section of this MD&A for information regarding our contractual obligations.

Statement of financial condition analysis

The assets on our condensed consolidated statements of financial condition consisted primarily of cash and cash equivalents (a large portion of which is segregated for the benefit of clients), receivables including bank loans, financial instruments held either for trading purposes or as investments, and other assets. A significant portion of our assets were liquid in nature, providing us with flexibility in financing our business.

Total assets of $38.68 billion as of June 30, 2019 were $1.26 billion, or 3%, greater than our total assets as of September 30, 2018. The increase in assets was primarily due to a $1.17 billion increase in net bank loans and a $264 million increase in our available-for-sale securities portfolio, in line with our growth plan for such assets. Offsetting these increases, brokerage client receivables decreased $730 million.

As of June 30, 2019, our total liabilities of $32.11 billion were $1.15 billion, or 4%, greater than our total liabilities as of September 30, 2018. The increase in total liabilities reflected a $2.22 billion increase in bank deposits, primarily due to higher RJBDP balances held at RJ Bank as well as a $46 million increase in other borrowings related to secured lines of credit. Offsetting these increases were a decrease in brokerage client payables of $1.28 billion, due to a decline in client cash held in our CIP as of June 30, 2019, and a decrease in accrued compensation, commissions and benefits of $96 million, due to annual payments of certain incentive compensation made in the nine months ended June 30, 2019.

Contractual obligations

There were no significant changes in our contractual obligations presented in our 2018 Form 10-K, other than in the ordinary course of business, as of June 30, 2019. See Note 14 of the Notes to Condensed Consolidated Financial Statements of this Form 10-Q for additional information regarding commitments as of June 30, 2019.

Regulatory

Refer to the discussion of the regulatory environment in which we operate and the impact on our operations of certain rules and regulations in Item 1 “Business - Regulation” and Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Regulatory” of our 2018 Form 10-K.

In June 2019, the SEC adopted Regulation Best Interest and issued related interpretive guidance. Among other things, Regulation Best Interest requires a broker-dealer to act in the best interest of a retail customer when making a recommendation of any securities transaction or investment strategy involving securities to such customer. Regulation Best Interest becomes effective June 30, 2020 and we anticipate the regulation will require us to review and modify our policies and procedures, as well as the associated supervisory and compliance controls, which may lead to additional costs. In July 2019, the Certified Financial Planner Board of Standards, Inc. announced that the compliance enforcement date for its expanded fiduciary standard would be June 30, 2020. Under this standard, all professionals using the “Certified Financial Planner” designation (including brokers) must act as a fiduciary when providing financial advice. In addition, various states have recently proposed legislation, which would impose (fiduciary) standards of conduct on broker-dealers. The adoption of such additional- and in many cases varying- standards could lead us to incur further additional costs.

RJF and many of its subsidiaries are each subject to various regulatory capital requirements. As of June 30, 2019, all of our active regulated domestic and international subsidiaries had net capital in excess of minimum requirements. In addition, RJF and RJ Bank were categorized as "well capitalized" as of June 30, 2019. The maintenance of certain risk-based regulatory capital levels could impact various capital allocation decisions impacting one or more of our businesses. However, due to the current capital position of RJF and its regulated subsidiaries, we do not anticipate these capital requirements will have a negative impact on our future business activities.

In July 2019, the Fed issued a final rule to simplify and clarify a number of existing regulatory capital rules for certain banking organizations. Specifically, it simplifies the capital treatment for mortgage servicing assets, certain deferred tax assets, investments in the capital instruments of unconsolidated financial institutions, and minority interest. This rule would also allow bank holding companies to repurchase common stock without prior approval from the Fed unless otherwise required. It will be effective as of April 1, 2020, for the amendments to simplify capital rules, and as of October 1, 2019 for revisions to the pre-approval requirements for the repurchase of common stock. We are evaluating the impact of this rule on our regulatory capital requirements.

See Note 19 of the Notes to Condensed Consolidated Financial Statements of this Form 10-Q for further information on regulatory capital requirements.

Critical accounting estimates

The condensed consolidated financial statements are prepared in accordance with GAAP, which require us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during any reporting period in our condensed consolidated financial statements. Management has established detailed policies and control procedures intended to ensure the appropriateness of such estimates and assumptions and their consistent application from period to period. For a description of our significant accounting policies, see Note 2 of the Notes to Consolidated Financial Statements of our 2018 Form 10-K.

Due to their nature, estimates involve judgment based upon available information. Actual results or amounts could differ from estimates and the difference could have a material impact on the consolidated financial statements. Therefore, understanding these critical accounting estimates is important in understanding our reported results of operations and financial position. We believe that of our accounting estimates and assumptions, those described in the following sections involve a high degree of judgment and complexity.

Valuation of financial instruments

The use of fair value to measure financial instruments, with related gains or losses recognized in our Condensed Consolidated Statements of Income and Comprehensive Income, is fundamental to our financial statements and our risk management processes. See Note 2 of our 2018 Form 10-K for a discussion of our fair value accounting policies regarding financial instruments owned and financial instruments sold but not yet purchased. See Note 4 of the Notes to Condensed Consolidated Financial Statements of this Form 10-Q for additional information on our financial instruments at fair value.

Loss provisions

Refer to Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical accounting estimates - Loss provisions" of our 2018 Form 10-K for more information.

Loss provisions for legal and regulatory matters

The recorded amount of liabilities related to legal and regulatory matters is subject to significant management judgment. For a description of the significant estimates and judgments associated with establishing such accruals, see the "Contingent liabilities" section of Note 2 of our 2018 Form 10-K. In addition, refer to Note 14 of the Notes to Condensed Consolidated Financial Statements of this Form 10-Q for information regarding legal and regulatory matter contingencies as of June 30, 2019.

Loan loss provisions for RJ Bank's loan portfolio

We provide an allowance for loan losses which reflects our continuing evaluation of the probable losses inherent in RJ Bank's loan portfolio. See the discussion regarding our methodology in estimating the allowance for loan losses in Note 2 of our 2018 Form 10-K. See Note 8 of the Notes to Condensed Consolidated Financial Statements of this Form 10-Q for additional information on our bank loans.

At June 30, 2019, the amortized cost of all RJ Bank loans was $20.91 billion and an allowance for loan losses of $215 million, or 1.03% of the held for investment loan portfolio, was recorded against that balance.

Our process of evaluating probable loan losses includes a complex analysis of several quantitative and qualitative factors, requiring a substantial amount of judgment. As a result, the allowance for loan losses could be insufficient to cover actual losses. In such an event, any losses in excess of our allowance would result in a decrease in our net income, as well as a decrease in the level of regulatory capital.

Recent accounting developments

For information regarding our recent accounting developments, see Note 2 of the Notes to Condensed Consolidated Financial Statements of this Form 10-Q.

Off-balance sheet arrangements

For information regarding our off-balance sheet arrangements, see Note 2 of the Notes to Consolidated Financial Statements of our 2018 Form 10-K and Note 14 of the Notes to Condensed Consolidated Financial Statements of this Form 10-Q.

Effects of inflation

Our assets are primarily liquid in nature and are not significantly affected by inflation. However, the rate of inflation affects our expenses, including employee compensation, communications and information processing, and occupancy costs, which may not be readily recoverable through charges for services we provide to our clients. In addition, to the extent inflation results in rising interest rates and has adverse effects upon the securities markets, it may adversely affect our financial position and results of operations.

Risk management

Risks are an inherent part of our business and activities. Management of these risks is critical to our fiscal soundness and profitability. Our risk management processes are multi-faceted and require communication, judgment and knowledge of financial products and markets. We have a formal Enterprise Risk Management (“ERM”) program to assess and review aggregate risks across the firm. Our management takes an active role in the ERM process, which requires specific administrative and business functions to participate in the identification, assessment, monitoring and control of various risks. The results of this process are extensively documented and reported to executive management and the Audit and Risk Committee of the Board.

The principal risks related to our business activities are market, credit, liquidity, operational, model, and compliance.

Market risk

Market risk is our risk of loss resulting from the impact of changes in market prices on our inventory, derivative and investment positions. We have exposure to market risk primarily through our broker-dealer trading operations and, to a lesser extent, through our banking operations. See Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Risk management - Market risk” of our 2018 Form 10-K for a discussion of our market risk, including how we manage such risk. See Notes 4, 5 and 6 of the Notes to Condensed Consolidated Financial Statements of this Form 10-Q for fair value and other information regarding our trading inventories, available-for-sale securities and derivative instruments.

Interest rate risk

Trading activities

We are exposed to interest rate risk as a result of our trading inventories (primarily comprised of fixed income instruments) in our Capital Markets segment. We actively manage the interest rate risk arising from our fixed income trading securities through the use of hedging strategies that involve U.S. Treasury securities, futures contracts, liquid spread products and derivatives.

We monitor the Value-at-Risk (“VaR”) for all of our trading portfolios on a daily basis. VaR is an appropriate statistical technique for estimating potential losses in trading portfolios due to typical adverse market movements over a specified time horizon with a suitable confidence level. We apply the Fed’s Market Risk Rule (“MRR”) for the purpose of calculating our capital ratios. The MRR, also known as the “Risk-Based Capital Guidelines: Market Risk” rule released by the Fed, the Office of the Comptroller of the Currency

("OCC") and FDIC, requires us to calculate VaR numbers for all of our trading portfolios, including fixed income, equity, foreign exchange and derivative instruments.

To calculate VaR, we use historical simulation. This approach assumes that historical changes in market conditions, such as in interest rates and equity prices, are representative of future changes. Simulation is based on daily market data for the previous twelve months. VaR is reported at a 99% confidence level for a one-day time horizon. Assuming that future market conditions change as they have in the past twelve months, we would expect to incur losses greater than those predicted by our one-day VaR estimates about once every 100 trading days, or about three times per year on average. For regulatory capital calculation purposes, we also report VaR numbers for a ten-day time horizon.

The Fed's MRR requires us to perform daily back-testing procedures of our VaR model, whereby we compare each day's projected VaR to its regulatory-defined daily trading losses, which exclude fees, commissions, reserves, net interest income and intraday trading. Based on these daily "ex ante" versus "ex post" comparisons, we determine whether the number of times that regulatory-defined daily trading losses exceed VaR is consistent with our expectations at a 99% confidence level. During the nine months ended June 30, 2019, our regulatory-defined daily loss in our trading portfolios did not exceed our predicted VaR.

The following table sets forth the high, low, period-end and daily average VaR for all of our trading portfolios, including fixed income, equity and derivative instruments, for the period and dates indicated.

	Nine months ended June 30, 2019		**Period-end VaR**	
$ in millions	**High**	**Low**	**June 30, 2019**	September 30, 2018
Daily VaR	**$ 2**	**$ 1**	**$ 1**	$ 1

	Three months ended June 30,		**Nine months ended June 30,**	
$ in millions	**2019**	2018	**2019**	2018
Daily average VaR	**$ 1**	$ 2	**$ 1**	$ 1

The modeling of the risk characteristics of trading positions involves a number of assumptions and approximations. While management believes that these assumptions and approximations are reasonable, there is no uniform industry methodology for estimating VaR, and different assumptions or approximations could produce materially different VaR estimates. As a result, VaR statistics are more reliable when used as indicators of risk levels and trends within a firm than as a basis for inferring differences in risk-taking across firms.

Separately, RJF provides additional market risk disclosures to comply with the MRR. The results of the application of this market risk capital rule are available on our website under https://www.raymondjames.com/investor-relations/financial-information/filings-and-reports under "Market Risk Rule Disclosure."

Should markets suddenly become more volatile, actual trading losses may exceed VaR results presented on a single day and might accumulate over a longer time horizon, such as a number of consecutive trading days. Accordingly, management applies additional controls including position limits, a daily review of trading results, review of the status of aged inventory, independent controls on pricing, monitoring of concentration risk, review of issuer ratings and stress testing. We utilize stress testing to complement our VaR analysis so as to measure risk under historical and hypothetical adverse scenarios. During volatile markets, we may choose to pare our trading inventories to reduce risk.

As a part of our fixed income public finance operations, we enter into forward commitments to purchase agency MBS which are issued on behalf of various state and local housing finance agencies. These activities result in exposure to interest rate risk. In order to hedge the interest rate risk to which we would otherwise be exposed between the date of the commitment and the date of sale of the MBS, we enter into TBA security contracts with investors for generic MBS at specific rates and prices to be delivered on settlement dates in the future. See Note 14 of the Notes to Condensed Consolidated Financial Statements of this Form 10-Q for additional information regarding these activities.

Banking operations

RJ Bank maintains an earning asset portfolio that is comprised of cash, C&I loans, tax-exempt loans, SBL, commercial and residential real estate loans, MBS and CMOs (both of which are held in the available-for-sale securities portfolio), Small Business Administration loan securitizations and a trading portfolio of corporate loans. Those earning assets are primarily funded by client deposits. Based on its current earning asset portfolio, RJ Bank is subject to interest rate risk. RJ Bank analyzes interest rate risk based on forecasted net interest income, which is the net amount of interest received and interest paid, and the net portfolio valuation, both in a range of interest rate scenarios.

One of the objectives of RJ Bank's Asset Liability Management Committee is to manage the sensitivity of net interest income to changes in market interest rates. The methods used to measure this sensitivity are described in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Risk management - Market risk" of our 2018 Form 10-K.

We utilize a hedging strategy using interest rate swaps as a result of RJ Bank's asset and liability management process. For further information regarding this risk management objective, see the discussion of this hedging strategy in Note 2 of the Notes to Consolidated Financial Statements of our 2018 Form 10-K and in Note 6 of the Notes to Condensed Consolidated Financial Statements of this Form 10-Q.

The following table is an analysis of RJ Bank's estimated net interest income over a 12 month period based on instantaneous shifts in interest rates (expressed in basis points) using RJ Bank's own asset/liability model.

Instantaneous changes in rate	Net interest income *($ in millions)*	Projected change in net interest income
+200	$880	(1.23)%
+100	$887	(0.45)%
0	$891	—
-100	$827	(7.18)%

Refer to "Net interest analysis" in this MD&A for a discussion of the impact changes in short-term interest rates could have on the firm's operations.

The following table shows the contractual maturities of RJ Bank's loan portfolio at June 30, 2019, including contractual principal repayments. This table does not include any estimates of prepayments, which could shorten the average loan lives and cause the actual timing of the loan repayments to differ significantly from those shown in the table. Loan amounts in the table exclude unearned income and deferred expenses.

	Due in			
$ in millions	One year or less	> One year – five years	> 5 years	Total
Loans held for investment:				
C&I loans	$ 138	$ 4,701	$ 3,562	$ 8,401
CRE construction loans	34	214	—	248
CRE loans	413	2,502	553	3,468
Tax-exempt loans	—	31	1,265	1,296
Residential mortgage loans	—	4	4,194	4,198
SBL and other	3,133	44	—	3,177
Total loans held for investment	3,718	7,496	9,574	20,788
Loans held for sale	—	—	125	125
Total loans	$ 3,718	$ 7,496	$ 9,699	$ 20,913

The following table shows the distribution of the recorded investment of those RJ Bank loans that mature in more than one year between fixed and adjustable interest rate loans at June 30, 2019. Loan amounts in the table exclude unearned income and deferred expenses.

	Interest rate type		
$ in millions	Fixed	Adjustable	Total
Loans held for investment:			
C&I loans	$ 96	$ 8,167	$ 8,263
CRE construction loans	—	214	214
CRE loans	79	2,976	3,055
Tax-exempt loans	1,264	32	1,296
Residential mortgage loans	239	3,959	4,198
SBL and other	44	—	44
Total loans held for investment	1,722	15,348	17,070
Loans held for sale	125	—	125
Total loans	$ 1,847	$ 15,348	$ 17,195

Contractual loan terms for C&I, CRE, CRE construction and residential mortgage loans may include an interest rate floor, cap and/or fixed interest rates for a certain period of time, which would impact the timing of the interest rate reset for the respective loan. See the discussion within the “Management’s Discussion and Analysis - Risk management - Credit risk - Risk monitoring process” section of this Form 10-Q for additional information regarding RJ Bank’s interest-only residential mortgage loan portfolio.

In our RJ Bank available-for-sale securities portfolio, we hold primarily fixed-rate agency MBS and CMOs which were carried at fair value on our Condensed Consolidated Statements of Financial Condition at June 30, 2019, with changes in the fair value of the portfolio recorded through OCI in our Condensed Consolidated Statements of Income and Comprehensive Income. At June 30, 2019, our RJ Bank available-for-sale securities portfolio had a fair value of $2.96 billion with a weighted-average yield of 2.46% and an average expected duration of three years. See Note 5 of the Notes to Condensed Consolidated Financial Statements of this Form 10-Q for additional information on the fair value of these securities.

Equity price risk

We are exposed to equity price risk as a consequence of our capital markets activities. Our broker-dealer activities are primarily client-driven, with the objective of meeting clients’ needs while earning revenues to compensate for the risk associated with carrying inventory. We attempt to reduce the risk of loss inherent in our inventory of equity securities by monitoring those security positions throughout each day and establishing position limits.

Foreign exchange risk

We are subject to foreign exchange risk due to our investments in foreign subsidiaries as well as transactions and resulting balances denominated in a currency other than the U.S. dollar. For example, a portion of our bank loan portfolio includes loans which are denominated in Canadian dollars totaling $1.09 billion and $1.05 billion at June 30, 2019 and September 30, 2018, respectively. A portion of such loans are held by RJ Bank’s Canadian subsidiary, which is discussed in the following sections.

Investments in foreign subsidiaries

RJ Bank has an investment in a Canadian subsidiary, resulting in foreign exchange risk. To mitigate its foreign exchange risk, RJ Bank utilizes short-term, forward foreign exchange contracts. These derivative agreements are primarily accounted for as net investment hedges in the condensed consolidated financial statements. See Note 6 of the Notes to Condensed Consolidated Financial Statements of this Form 10-Q for further information regarding these derivative contracts.

We had foreign exchange risk in our investment in RJ Ltd. of CAD 368 million at June 30, 2019, which was not hedged. Foreign exchange gains/losses related to this investment are primarily reflected in OCI in our Condensed Consolidated Statements of Income and Comprehensive Income. See Note 15 of the Notes to Condensed Consolidated Financial Statements of this Form 10-Q for further information regarding our components of OCI.

We also have foreign exchange risk associated with our investments in subsidiaries located in Europe. These investments are not hedged and we do not believe we have material foreign exchange risk either individually, or in the aggregate, pertaining to these subsidiaries.

Transactions and resulting balances denominated in a currency other than the U.S. dollar

We are subject to foreign exchange risk due to our holdings of cash and certain other assets and liabilities resulting from transactions denominated in a currency other than the U.S. dollar. Any currency-related gains/losses arising from these foreign currency denominated balances are reflected in “Other” revenues in our Condensed Consolidated Statements of Income and Comprehensive Income. The foreign exchange risk associated with a portion of such transactions and balances denominated in foreign currency are mitigated utilizing short-term, forward foreign exchange contracts. Such derivatives are not designated hedges and therefore, the related gains/losses associated with these contracts are included in “Other” revenues in our Condensed Consolidated Statements of Income and Comprehensive Income. See Note 6 of the Notes to Condensed Consolidated Financial Statements of this Form 10-Q for information regarding our derivative contracts.

Credit risk

Credit risk is the risk of loss due to adverse changes in a borrower’s, issuer’s or counterparty’s ability to meet its financial obligations under contractual or agreed upon terms. The nature and amount of credit risk depends on the type of transaction, the structure and duration of that transaction, and the parties involved. Credit risk is an integral component of the profit assessment of lending and other financing activities. See further discussion of our credit risk, including how we manage such risk, in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Risk management - Credit risk" of our 2018 Form 10-K.

RJ Bank has a substantial loan portfolio. A significant downturn in the overall economy, deterioration in real estate values or a significant issue within any sector or sectors where RJ Bank has a concentration could result in large provisions for loan losses and/or charge-offs.

Our allowance for loan losses is regularly evaluated with adjustments made on a quarterly basis. Several factors were taken into consideration in evaluating the allowance for loan losses at June 30, 2019, including the risk profile of the portfolios, net charge-offs during the period, the level of nonperforming loans and delinquency ratios. RJ Bank also considered the uncertainty related to certain industry sectors and the extent of credit exposure to specific borrowers within the portfolio. Finally, RJ Bank considered current economic conditions and other factors that might impact the portfolio. RJ Bank determined the allowance that was required for specific loan grades based on relative risk characteristics of the loan portfolio. On an ongoing basis, RJ Bank evaluates its methods for determining the allowance for each class of loans and makes enhancements it considers appropriate. There was no material change in RJ Bank's methodology for determining the allowance for loan losses during the nine months ended June 30, 2019.

RJ Bank's allowance for loan losses as a percentage of bank loans outstanding was 1.03% and 1.04% at June 30, 2019 and September 30, 2018, respectively. See Note 8 in the Notes to the Condensed Consolidated Financial Statements of this Form 10-Q for detail on the changes in RJ Bank's allowance for loan losses.

The loan loss provision for the nine months ended June 30, 2019 increased to $16 million compared to $14 million in the prior year period. See further explanation of the loan loss provision increase in "Management's Discussion and Analysis of Financial Condition and Results of Operations - RJ Bank" of this Form 10-Q.

The level of charge-off activity is a factor that is considered in evaluating the potential for severity of future credit losses. The following table presents net loan (charge-offs)/recoveries and the percentage of net loan (charge-offs)/recoveries to the average outstanding loan balances by loan portfolio segment.

	Three months ended June 30,				Nine months ended June 30,			
	2019		2018		**2019**		2018	
$ in millions	**Net loan (charge-off)/ recovery amount**	**% of avg. outstanding loans**	Net loan (charge-off)/ recovery amount	% of avg. outstanding loans	**Net loan (charge-off)/ recovery amount**	**% of avg. outstanding loans**	Net loan (charge-off)/ recovery amount	% of avg. outstanding loans
C&I loans	**$ 1**	**0.06%**	$ (5)	0.23%	**$ (2)**	**0.02%**	$ (9)	0.15%
CRE loans	**—**	**—**	—	—	**(3)**	**0.13%**	—	—
Residential mortgage loans	**—**	**—**	1	0.08%	**1**	**0.02%**	1	0.05%
Total	**$ 1**	**0.02%**	$ (4)	0.08%	**$ (4)**	**0.03%**	$ (8)	0.05%

The level of nonperforming loans is another indicator of potential future credit losses. The following table presents the nonperforming loans balance and total allowance for loan losses for the periods presented.

	June 30, 2019		September 30, 2018	
$ in millions	**Nonperforming loan balance**	**Allowance for loan losses balance**	Nonperforming loan balance	Allowance for loan losses balance
Loans held for investment:				
C&I loans	**$ 22**	**$ 134**	$ 2	$ 123
CRE construction loans	**—**	**4**	—	3
CRE loans	**10**	**46**	—	47
Tax-exempt loans	**—**	**9**	—	9
Residential mortgage loans	**21**	**16**	23	17
SBL and other	**—**	**6**	—	4
Total	**$ 53**	**$ 215**	$ 25	$ 203
Total nonperforming loans as a % of RJ Bank total loans	**0.25%**		0.12%	

Included in nonperforming residential mortgage loans in the preceding table were $10 million in loans for which $5 million in charge-offs were previously recorded, resulting in less exposure within the remaining balance. See Note 8 in the Notes to the Condensed Consolidated Financial Statements of this Form 10-Q for loan categories as a percentage of total loans receivable.

The nonperforming loan balances in the preceding table exclude $12 million of residential TDRs as of both June 30, 2019 and September 30, 2018, which were returned to accrual status in accordance with our policy. Total nonperforming assets, including other real estate acquired in the settlement of residential mortgages, amounted to $56 million and $28 million at June 30, 2019 and September 30, 2018, respectively. Total nonperforming assets as a percentage of RJ Bank total assets was 0.22% and 0.12% at June 30, 2019 and September 30, 2018, respectively.

Loan underwriting process

RJ Bank's underwriting processes for the major types of loans are described in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Risk management - Credit risk" of our 2018 Form 10-K. There were no material changes in RJ Bank's underwriting processes during the nine months ended June 30, 2019.

Risk monitoring process

Another component of credit risk strategy at RJ Bank is the ongoing risk monitoring and review processes for all residential, SBL and other, corporate and tax-exempt credit exposures, as well as our rigorous processes to manage and limit credit losses arising from loan delinquencies. There are various other factors included in these processes, depending on the loan portfolio. There were no material changes to those processes and policies during the nine months ended June 30, 2019.

SBL and residential mortgage loans

The marketable collateral securing RJ Bank's SBL portfolio is monitored on a daily basis. Collateral adjustments are made by the borrower as necessary to ensure RJ Bank's loans are adequately secured, resulting in minimizing its credit risk. Collateral calls have been minimal relative to our SBL portfolio with no losses incurred to date.

We track and review many factors to monitor credit risk in RJ Bank's residential mortgage loan portfolio. The factors include, but are not limited to: loan performance trends, loan product parameters and qualification requirements, borrower credit scores, occupancy (i.e., owner occupied, second home or investment property), level of documentation, loan purpose, geographic concentrations, average loan size and loan policy exceptions. These measures, while considered and reviewed in establishing the allowance for loan losses, have not resulted in any material adjustments to RJ Bank's historical loss rates.

The following table presents, as of the date indicated, a summary of delinquent residential mortgage loans, the vast majority of which are first mortgage loans, which is comprised of loans which are two or more payments past due as well as loans in the process of foreclosure.

	Amount of delinquent residential loans			Delinquent residential loans as a percentage of outstanding loan balances		
$ in millions	30-89 days	90 days or more	Total	30-89 days	90 days or more	Total
June 30, 2019	**$ 1**	**$ 15**	**$ 16**	**0.03%**	**0.36%**	**0.39%**
September 30, 2018	$ 2	$ 13	$ 15	0.06%	0.33%	0.39%

Our June 30, 2019 percentage continues to compare favorably to the national average for over 30 day delinquencies of 2.99%, as most recently reported by the Fed.

Credit risk is also managed by diversifying the residential mortgage portfolio. The following table details the geographic concentrations (top five states) of RJ Bank's one-to-four family residential mortgage loans.

	June 30, 2019	
	Loans outstanding as a % of RJ Bank total residential mortgage loans	Loans outstanding as a % of RJ Bank total loans
CA	**24.8%**	**5.0%**
FL	**16.6%**	**3.4%**
NY	**8.3%**	**1.7%**
TX	**8.1%**	**1.6%**
CO	**3.6%**	**0.7%**

Loans where borrowers may be subject to payment increases include adjustable rate mortgage loans with terms that initially require payment of interest only. Payments may increase significantly when the interest-only period ends and the loan principal begins to amortize. At June 30, 2019 and September 30, 2018, these loans totaled $1.20 billion and $992 million, respectively, or approximately

30% and 25% of the residential mortgage portfolio, respectively. The weighted average number of years before the remainder of the loans, which were still in their interest-only period at June 30, 2019, begins amortizing is 6.3 years.

A component of credit risk management for the residential portfolio is the LTV ratio and borrower credit score at origination or purchase. The most recent weighted-average LTV ratios and FICO scores at origination of RJ Bank's residential first mortgage loan portfolio were 64% and 761, respectively.

Corporate and tax-exempt loans

Credit risk in RJ Bank's corporate and tax-exempt loan portfolios is monitored on an individual loan basis. The majority of RJ Bank's tax-exempt loan portfolio is comprised of loans to investment-grade borrowers.

Credit risk is managed by diversifying the corporate loan portfolio. RJ Bank's corporate loan portfolio does not contain a significant concentration in any single industry. The following table details the industry concentrations (top five categories) of RJ Bank's corporate loans.

	June 30, 2019	
	Loans outstanding as a % of RJ Bank total corporate loans	**Loans outstanding as a % of RJ Bank total loans**
Business systems and services	**8.2%**	**4.7%**
Office real estate	**7.6%**	**4.4%**
Hospitality	**5.3%**	**3.0%**
Automotive/transportation	**5.2%**	**3.0%**
Consumer products and services	**4.5%**	**2.6%**

Liquidity risk

See the section "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and capital resources" of this Form 10-Q for information regarding our liquidity and how we manage liquidity risk.

Operational risk

Operational risk generally refers to the risk of loss resulting from our operations, including, but not limited to, business disruptions, improper or unauthorized execution and processing of transactions, deficiencies in our technology or financial operating systems and inadequacies or breaches in our control processes, including cybersecurity incidents. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Risk management - Operational risk" of our 2018 Form 10-K for a discussion of our operational risk and certain of our risk mitigation processes. There have been no material changes in such processes during the nine months ended June 30, 2019.

As more fully described in the discussion of our business technology risks included in various risk factors presented in Item 1A "Risk Factors" of our 2018 Form 10-K, despite our implementation of protective measures and endeavoring to modify them as circumstances warrant, our computer systems, software and networks may be vulnerable to human error, natural disasters, power loss, cyberattacks and other information security breaches, as well as other events that could have an impact on the security and stability of our operations. Notwithstanding the precautions we take, if one or more of these events were to occur, this could jeopardize the information we confidentially maintain, including that of our clients and counterparties, which is processed, stored in and transmitted through our computer systems and networks, or otherwise cause interruptions or malfunctions in our operations or the operations of our clients or counterparties. To-date, we have not experienced any material losses relating to cyberattacks or other information security breaches; however, there can be no assurances that we will not suffer such losses in the future.

Model risk

Model risk refers to the possibility of unintended business outcomes arising from the design, implementation or use of models. See Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations - Risk management - Model risk" of our 2018 Form 10-K for information regarding how we utilize models throughout the firm and how we manage model risk.

Compliance risk

Compliance risk is the risk of legal or regulatory sanctions, financial loss, or reputational damage that we may suffer from a failure to comply with applicable laws, external standards, or internal requirements. See Item 7 "Management's Discussion and Analysis of

Financial Condition and Results of Operations - Risk management - Compliance risk" of our 2018 Form 10-K for information on our compliance risks, including how we manage such risks. There have been no material changes in our risk mitigation processes during the nine months ended June 30, 2019.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations - Risk management" of this Form 10-Q for our quantitative and qualitative disclosures about market risk.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls are procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act, such as this report, are recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls are also designed to ensure that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives, as ours are designed to do, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On February 17, 2015, Jyll Brink ("Brink") filed a putative class action complaint in the U.S. District Court for the Southern District of Florida (the "District Court") under the caption Jyll Brink v. Raymond James & Associates, Inc. (the "Brink Complaint"). The Brink Complaint alleges that Brink, a former customer of RJ&A, was charged a fee in her Passport Investment Account, and that the fee included an unauthorized and undisclosed profit to RJ&A in violation of its customer agreement and applicable industry standards. The Passport Investment Account is a fee-based account in which clients pay asset-based advisory fees and certain processing fees for ongoing investment advice and monitoring of securities holdings. The Brink Complaint seeks, among other relief, damages in the amount of the difference between the actual cost of processing a trade, as alleged by Brink, and the fee charged by RJ&A. On October 19, 2018, the District Court certified a class of former and current customers of RJ&A who executed a Passport Agreement and were charged processing fees during the period between February 17, 2010 and February 17, 2015.

On February 11, 2016, Caleb Wistar ("Wistar") and Ernest Mayeaux ("Mayeaux") filed a putative class action complaint in the District Court under the caption Caleb Wistar and Ernest Mayeaux v. Raymond James Financial Services, Inc. and Raymond James Financial Services Advisors, Inc. (as subsequently amended, the "Wistar Complaint"). Similar to the Brink Complaint, the Wistar Complaint alleges that Wistar and Mayeaux, former customers of Raymond James Financial Services, Inc. ("RJFS") and Raymond James Financial Services Advisors, Inc. ("RJFSA"), were charged a fee in RJFS and RJFSA's Passport Investment Account and that the fee included an unauthorized and undisclosed profit to RJFS and RJFSA in violation of its customer agreement and applicable industry standards. The Wistar Complaint seeks, among other relief, damages in the amount of the difference between the actual cost of processing a trade, as alleged by Wistar and Mayeaux, and the fee charge by RJFS and RJFSA.

On April 5, 2019, the parties to the Brink Complaint and the Wistar Complaint agreed in principle to an aggregate settlement of $15 million. On June 11, 2019, the parties filed a Stipulation of Settlement and Joint Motion for Preliminary Approval of Class Action Settlement and Certification of the Settled Subclasses. On June 12, 2019, the District Court entered an order preliminarily approving the Class Action Settlement and set a hearing date of October 25, 2019 for final approval of the settlement. While the hearing for final approval has been set, the settlement remains subject to approval by the District Court. The settlement amounts for both complaints were included in "Other payables" in our Condensed Consolidated Statement of Financial Condition as of June 30, 2019.

ITEM 1A. RISK FACTORS

Not applicable.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

We did not have any sales of unregistered securities for the nine months ended June 30, 2019.

We purchase our own stock from time to time in conjunction with a number of activities, each of which is described in the following paragraphs. The following table presents information on our purchases of our own stock, on a monthly basis, for the nine months ended June 30, 2019.

	Total number of shares purchased		Average price per share	Number of shares purchased as part of publicly announced plans or programs	Approximate dollar value (in millions) at each month-end, of securities that may yet be purchased under the plans or programs
October 1, 2018 – October 31, 2018	**469,566**	**$**	**74.88**	**423,903**	**$182**
November 1, 2018 – November 30, 2018	**2,420,562**	**$**	**77.66**	**2,341,466**	**$500**
December 1, 2018 – December 31, 2018	**3,449,198**	**$**	**74.55**	**3,287,237**	**$255**
First quarter	**6,339,326**	**$**	**75.76**	**6,052,606**	
January 1, 2019 – January 31, 2019	**13,408**	**$**	**75.16**	**—**	**$255**
February 1, 2019 – February 28, 2019	**4,050**	**$**	**82.54**	**—**	**$255**
March 1, 2019 – March 31, 2019	**603,529**	**$**	**78.23**	**602,938**	**$458**
Second quarter	**620,987**	**$**	**78.19**	**602,938**	
April 1, 2019 – April 30, 2019	**22,241**	**$**	**81.07**	**—**	**$458**
May 1, 2019 – May 31, 2019	**302,699**	**$**	**83.53**	**301,756**	**$433**
June 1, 2019 – June 30, 2019	**744,251**	**$**	**80.95**	**742,076**	**$373**
Third quarter	**1,069,191**	**$**	**81.68**	**1,043,832**	
Fiscal year-to-date total	**8,029,504**	**$**	**76.74**	**7,699,376**	

During the nine months ended June 30, 2019, we utilized the remainder of the previous Board authorization for repurchases of our common stock and outstanding senior notes. Accordingly, the Board approved two increases to the authorization totaling $750 million, including $500 million on November 29, 2018 and $250 million on March 1, 2019. Between July 1, 2019 and August 7, 2019, we repurchased 1.10 million shares of our common stock under this authorization at a weighted-average price of $76.60, for total consideration of $84 million. As of August 7, 2019, we had $289 million remaining under this authorization.

In the preceding table, the total number of shares purchased includes shares purchased pursuant to our Restricted Stock Trust Fund, which was established to acquire our common stock in the open market and used to settle RSUs granted as a retention vehicle for certain employees of our wholly owned Canadian subsidiaries. For more information on this trust fund, see Note 2 of the Notes to Consolidated Financial Statements of our 2018 Form 10-K and Note 9 of the Notes to Condensed Consolidated Financial Statements of this Form 10-Q. These activities do not utilize the previously described repurchase authority.

The total number of shares purchased also includes shares repurchased as a result of employees surrendering shares as payment for option exercises or withholding taxes. These activities do not utilize the previously described repurchase authority.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

Exhibit Number	Description
3.1	Restated Articles of Incorporation of Raymond James Financial, Inc. as filed with the Secretary of State of Florida on November 25, 2008, incorporated by reference to Exhibit 3(i).1 to the Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission on November 28, 2008.
3.2	Amended and Restated By-Laws of Raymond James Financial, Inc., reflecting amendments adopted by the Board of Directors on November 30, 2017, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 5, 2017.
10.1	First Amendment to Credit Agreement, dated as of May 23, 2019, among Raymond James Financial, Inc., Raymond James & Associates, Inc., the Lenders party thereto and Bank of America, N.A.
31.1	Certification of Paul C. Reilly pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Jeffrey P. Julien pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Paul C. Reilly and Jeffrey P. Julien pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document (The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.)
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

RAYMOND JAMES FINANCIAL, INC.
(Registrant)

Date: August 8, 2019

/s/ Paul C. Reilly
Paul C. Reilly
Chairman and Chief Executive Officer

Date: August 8, 2019

/s/ Jeffrey P. Julien
Jeffrey P. Julien
Executive Vice President - Finance and
Chief Financial Officer

FIRST AMENDMENT TO CREDIT AGREEMENT

THIS FIRST AMENDMENT TO CREDIT AGREEMENT (this "Agreement"), dated as of May 23, 2019, is entered into among Raymond James Financial, Inc., a Florida corporation (the "RJF"), Raymond James & Associates, Inc., a Florida corporation ("RJA" and together with RJF, each a "Borrower" and collectively the "Borrowers"), the Lenders party hereto and Bank of America, N.A., as Administrative Agent (the "Administrative Agent"). All capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the Credit Agreement (as defined below).

RECITALS

WHEREAS, the Borrowers, the Lenders, the Swing Line Lenders and the Administrative Agent, entered into that certain Credit Agreement, dated as of February 19, 2019 (as amended, restated, amended and restated, extended, supplemented or otherwise modified from time to time, the "Credit Agreement"); and

WHEREAS, the Borrowers have requested that the Lenders amend the Credit Agreement as set forth below.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Amendments. Subject to the satisfaction of the conditions precedent set forth in Section 2 hereof, the Credit Agreement is hereby amended as follows:

(a) The definition of "Arrangers" in Section 1.01 of the Credit Agreement is hereby amended in its entirety to read as follows:

"Arrangers" means BofA Securities, Inc., Citibank, N.A., JPMorgan Chase Bank, N.A. and Regions Capital Markets, a division of Regions Bank, in their capacity as joint lead arrangers and joint bookrunners.

(b) Section 1.05 of the Credit Agreement is amended to read as follows:

Unless otherwise specified, all references herein to times of day shall be references to Eastern time (daylight or standard, as applicable). The Administrative Agent does not warrant, nor accept responsibility for, nor shall the Administrative Agent have any liability with respect to, the administration, submission or any other matter related to the rates in the definition of "Eurodollar Rate" or with respect to any rate that is an alternative or replacement for or successor to any of such rate (including any LIBOR Successor Rate) or the effect of any of the foregoing, or of any LIBOR Successor Rate Conforming Changes.

(c) Section 6.01(b) of the Credit Agreement is amended to read as follows:

(b) (i) as soon as available, but in any event within forty-five days after the end of each of the first three fiscal quarters of each fiscal year of RJF, commencing with the fiscal quarter ending March 31, 2019, a consolidated balance sheet of RJF and its Subsidiaries as at the end of such fiscal quarter, together with the related consolidated statements of income or operations for such fiscal quarter and for the portion of RJF's fiscal year then ended, and the related consolidated statements of changes in shareholders' equity and cash flows for the portion of such RJF's fiscal year then ended, in each case setting forth in comparative form, as applicable, the figures for the corresponding fiscal quarter of the previous fiscal year and the corresponding portion of the previous fiscal year, all in reasonable detail and certified by the chief executive officer, chief financial officer, treasurer or controller of RJF as fairly presenting the financial condition, results of operations, shareholders' equity and cash flows of RJF and its Subsidiaries in accordance with GAAP, subject only to normal year-end audit adjustments and the absence of footnotes, and (ii) as soon as available, but in any event within forty-five days after the end of each of the first three fiscal quarters of each fiscal year of RJA, commencing with the fiscal quarter ending March 31, 2019, a consolidated balance sheet of RJA and its Subsidiaries as at the end of such fiscal quarter, together with the related consolidated statements of income or operations for such fiscal quarter and for the portion of RJA's fiscal year then ended, in each case setting forth in comparative form, as applicable, the figures for the corresponding fiscal quarter of the previous fiscal year and the corresponding portion of the previous fiscal year, all in reasonable detail and certified by the chief executive officer, chief financial officer, treasurer or controller of RJA as fairly presenting the financial condition and results of operations of RJA and its Subsidiaries in accordance with GAAP, subject only to normal year-end audit adjustments and the absence of footnotes.

(d) The "and" at the end of Section 6.02(e) is deleted, the "." at the end of Section 6.02(f) is replaced with "; and" and a new clause (g) is added to Section 6.02 of the Credit Agreement to read as follows:

(g) promptly after the same are filed with FINRA, each quarterly Financial and Operational Combined Uniform Single Report of such Borrower.

(e) Exhibit 6.02 to the Credit Agreement is hereby amended and replaced with Exhibit 6.02 attached hereto.

2. Conditions Precedent. This Agreement shall be effective upon receipt by the Administrative Agent of counterparts of this Agreement duly executed by the Borrowers, the Required Lenders and the Administrative Agent.

3. Miscellaneous.

(a) The Credit Agreement and the obligations of each Borrower thereunder and under the other Loan Documents, are hereby ratified and confirmed and shall remain in full force and effect according to their terms.

(b) Each Borrower hereby represents and warrants as follows:

(i) The execution, delivery and performance by such Borrower of this Agreement have been duly authorized by all necessary corporate or other organizational action, and do not (A) contravene the terms of any of such Borrower's Organization Documents; (B) conflict with or result in any breach or contravention of or require any payment to be made under (1) any material Contractual Obligation to which such Borrower is a party or (2) any order, injunction, writ or decree of any Governmental Authority or any arbitral award to which such Borrower or its property is subject; or (C) violate any Law.

(ii) This Agreement has been duly executed and delivered by such Borrower and constitutes such Borrower's legal, valid and binding obligations, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and to general principles of equity, regardless of whether considered in a proceeding on equity or law.

(iii) No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority or any other Person is necessary or required in connection with the execution, delivery or performance by, or enforcement against, such Borrower of this Agreement other than those that have already been obtained and are in full force and effect.

(c) Each Borrower further represents and warrants to the Lenders that (i) the representations and warranties of such Borrower set forth in Article V of the Credit Agreement and in each other Loan Document are true and correct in all material respects (other than those representations and warranties qualified by materiality, in which case they are true and correct in all respects) as of the date hereof with the same effect as if made on and as of the date hereof, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they were true and correct in all material respects (other than those representations and warranties qualified by materiality, in which case they were true and correct in all respects) as of such earlier date and (ii) no event has occurred and is continuing which constitutes a Default or an Event of Default.

(d) This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all of which shall constitute one and the same instrument. Delivery of an executed counterpart of this Agreement by telecopy or other electronic imaging means (e.g. "pdf" or "tif") shall be effective as an original and shall constitute a representation that an executed original shall be delivered.

(e) THIS AGREEMENT AND ANY CLAIMS, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER IN CONTRACT OR TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

BORROWERS:

RAYMOND JAMES FINANCIAL, INC.,
a Florida corporation

By: /s/ Jeffrey P. Julien
Name: Jeffrey P. Julien
Title: EVP – Finance and Chief Financial Officer

RAYMOND JAMES & ASSOCIATES, INC.,
a Florida corporation

By: /s/ Tash S. Elwyn
Name: Tash S. Elwyn
Title: Chief Executive Officer and President

ADMINISTRATIVE
AGENT: BANK OF AMERICA, N.A.,
as Administrative Agent

By: /s/ Charlene Wright-Jones
Name: Charlene Wright-Jones
Title: Vice President

LENDERS: BANK OF AMERICA, N.A.,
as a Lender and a Swing Line Lender

By: /s/ Sherman Wong
Name: Sherman Wong
Title: Director

CITIBANK, N.A.,
as a Lender and a Swing Line Lender

By: /s/ Patrick Marsh
Name: Patrick Marsh
Title: Vice President

JPMORGAN CHASE BANK, N.A.,
as a Lender and a Swing Line Lender

By: /s/ Victoria Teterceva
Name: Victoria Teterceva
Title: Vice Presdent

REGIONS BANK,
as a Lender and a Swing Line Lender

By: /s/ Hichem Kerma
Name: Hichem Kerma
Title: Director

U.S. BANK NATIONAL ASSOCIATION,
as a Lender and a Swing Line Lender

By: /s/ Michael Ugliarolo
Name: Michael Ugliarolo
Title: Vice President

BRANCH BANKING AND TRUST COMPANY,
as a Lender and a Swing Line Lender

By: /s/ Karen Cadiente
Name: Karen Cadiente
Title: Assistant Vice President

PNC BANK, NATIONAL ASSOCIATION,
as a Lender and a Swing Line Lender

By: /s/ Alaa Shraim
Name: Alaa Shraim
Title: Senior Vice President

THE BANK OF NEW YORK MELLON,
as a Lender and a Swing Line Lender

By: /s/ Matthew W. Thigpen
Name: Matthew W. Thigpen
Title: Vice President

EXHIBIT 31.1

CERTIFICATIONS

I, Paul C. Reilly, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Raymond James Financial, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s Board of Directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 8, 2019

/s/ PAUL C. REILLY
Paul C. Reilly
Chairman and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS

I, Jeffrey P. Julien, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Raymond James Financial, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s Board of Directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 8, 2019

/s/ JEFFREY P. JULIEN

Jeffrey P. Julien

Executive Vice President - Finance and
Chief Financial Officer

EXHIBIT 32

CERTIFICATION BY CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Raymond James Financial, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to our knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ PAUL C. REILLY
Paul C. Reilly
Chairman and Chief Executive Officer

August 8, 2019

/s/ JEFFREY P. JULIEN
Jeffrey P. Julien
Executive Vice President - Finance and
Chief Financial Officer

August 8, 2019